

FIRST DIVISION

[G.R. NO. 140091, August 10, 2006]

**FELICIANO G. MANANSAN, PETITIONER, VS. REPUBLIC OF THE
PHILIPPINES AND PHILIPPINE NATIONAL BANK,
RESPONDENTS.**

D E C I S I O N

CALLEJO, SR., J.:

This is a Petition for Review on *Certiorari* of the Decision^[1] of the Court of Appeals (CA) in CA-G.R. CV No. 52063 affirming with modification the decision of the Regional Trial Court (RTC) of Manila in Civil Case No. 123003, granting the complaint of the Republic of the Philippines, through the Department of Education, Culture and Sports (DECS) (now DepEd), for the expropriation of the property of Agus Development Corporation (ADC, for brevity) and Feliciano G. Manansan.

On April 17, 1979, the Republic, in behalf of the DECS, filed a complaint in the RTC of Manila for the expropriation of two parcels of land with improvements thereon located at Geronimo Street, Sampaloc, Manila: one consisted of 2,905.6 square meters owned by ADC and covered by Transfer Certificate of Title (TCT) No. 104374; and the other 584.5 square meters owned by Manansan and covered by TCT No. 132892. The property was to be used for the construction of the Trinidad Tecson Elementary School. Plaintiff averred that the amount of just compensation was P884,830.00.

Plaintiff amended its complaint to implead the Philippine National Bank (PNB) in whose favor ADC had mortgaged the property as well as the occupants of the property. Plaintiff averred that the just compensation for the property was P904,830.00.

On October 15, 1980, plaintiff filed a motion for the issuance of a writ of possession on its allegation that, based on the certification of the City Treasurer of Manila issued on December 13, 1979, the amount of P90,483.00 representing 10% of the assessed value of the property had already been deposited with the PNB. Manansan did not object to the motion. On January 16, 1981, the RTC issued a writ of possession in favor of plaintiff. Plaintiff took possession of the property, caused the demolition of some of the improvements, and had the elementary school constructed thereon.

On June 23, 1987, ADC filed a motion for the appointment of three (3) commissioners to fix the just compensation and require plaintiff to deposit 10% thereof. Plaintiff opposed the motion, insisting that it had already deposited the same (or P90,483.00) on December 3, 1979 with the PNB branch. In its comment on September 28, 1987, the PNB alleged that it had no knowledge that the amount had been deposited in the names of ADC and Manansan. When ordered to show

proof of the deposit, plaintiff submitted a PNB deposit slip amounting to P90,483.00 *in favor of the City Treasurer*, and not in favor of defendants as owners of the property.

Defendants filed a motion to be restored to the possession of the subject properties. On September 13, 1990, the RTC denied the motion on the ground that restoration was no longer feasible.^[2] Meanwhile, the court fixed provisionally the value of the property at P904,830.00 and required plaintiff to deposit the whole amount.

On September 26, 1994, the court appointed the following three (3) commissioners to determine the just compensation of the properties expropriated: (1) City Assessor Reynaldo Jaylo; (2) City Auditor Reynaldo Ventura; and (3) Asian Appraisal Company, Inc. (AACI), thru its representative. However, on October 28, 1994, the court replaced City Auditor Reynaldo Ventura with the City Treasurer of Manila.

On March 11, 1995, the City Assessor and City Treasurer of Manila submitted a Joint Appraisal Report of the expropriated properties and fixed the valuation of both land and buildings at P15,893,111.00. The valuation was *based on the 1995 BIR Zonal Value*, broken down as follows:

Land Appraisal:

| | | |
|-------------------------------|---|----------------------|
| Lot 6 Blk. RP 37 Psd 47-Area | - | 597.30 sq. m. |
| Lot 7 Blk. RP 37 Psd 47-Area | - | 600.60 sq. m. |
| Lot 8 Blk. RP 37 Psd 47-Area | - | 584.50 sq. m. |
| Lot 12 Blk. RP 37 Psd 47-Area | - | 1,122.90 sq. m. |
| Lot 13 Blk. RP 37 Psd 47-Area | - | <u>584.80 sq. m.</u> |
| T o t a l | - | 3,490.10 sq. m. |

| | | |
|----------------------|---|--|
| 1995 BIR Zonal Value | - | P4,400.00 / sq. m. |
| Land Area | - | <u>x 3,490.10 sq. m.</u> P15,356,440.00 |

Building Appraisal:

| | | |
|---|---|--|
| Building 1 | - | P270,010.00 |
| Building 2 | - | 144,014.00 |
| Building 3 | - | 29,445.00 |
| Building 4 | - | 39,690.00 |
| Building 5 | - | 19,012.00 |
| Perimeter Wall | | <u>34,500.00</u> |
| Fence | - | P536,671.00-Market value for Building & Fence |
| Total Market Value of Land, Building and Fence | - | P15,893,111.00 |

On the other hand, the AACI submitted two separate reports on the fair market values of the subject properties, as of *April 15, 1995*, using the *market data approach*, to wit:

1) Lots 6, 7, 12 & 13 (owned by Agus) – 2,905.60 sq. m.
P14,000.00 / sq.m. x 2,905.60 sq. m.
= P40,678,000.00

2) Lot 8 (owned by Feliciano Manansan) – 584.50 sq. m.
P14,000.00 / sq.m. x 584.50 sq. m.
= P8,183,000.00 (Emphasis supplied)^[3]

The appraisal of AACI was based on the extent, character and utility of the property sales and holding prices of similar land, and the highest and best use of the property as of April 15, 1995.^[4] In fine, under the report of the City Treasurer and City Assessor, the value of the subject properties was fixed at P3,490.50 per square meter, while AACI fixed the value of the land at P14,000.00 per square meter.

On January 17, 1996, the trial court rendered judgment in favor of plaintiff.^[5] The court fixed the fair market value of the property of defendants at P2,200.00 per square meter, or one-half of the 1995 BIR Zonal Value submitted by the City Treasurer and City Assessor. The *falla* of the decision reads:

WHEREFORE, judgment is hereby rendered for the plaintiff and against the defendants, as follows:

a) the lands (described as Lots 6, 7, 12 and 13 of Bk. RP 37) with an area of 2,905.6 sq. m. owned by defendant Agus Development Corporation and covered by TCT No. 104374 as well as the land (described as Lot 8 of Bk. RP 37) with an area of 584.5 sq. m. owned by defendant Feliciano Manansan and covered by TCT No. 132892 with the improvements erected thereon, located at Geronimo St., Sampaloc, Manila and declared expropriated to be used as a public school, the Trinidad Tecson Elementary School;

b) the fair market value of the lands of the defendants is fixed at P2,200.00/sq. meter;

c) the fair market values of the buildings or fence erected on the lands of Agus Development Corporation and Feliciano Manansan are P250,163.00 and P18,172.50, respectively;

d) the Republic must pay the following defendants, to wit:

1) Agus Development Corporation, the sum of P6,642,483.00, and from which amount, the indebtedness incurred by Agus Development Corporation from the Phil. National Bank should first be liquidated and satisfied before the remaining balance thereof shall be delivered/paid to defendant Agus Development

Corporation;

2) Feliciano Manansan, the sum of P1,304,072.50;

With costs against the plaintiff.

SO ORDERED.^[6]

The trial court declared that the joint assessment of the City Treasurer and City Assessor recommended that defendants be paid P15,893,111.00 as just compensation for the properties. However, the joint assessment was based on the BIR Zonal Value of the property *as of 1995 instead of 1979* when the complaint was filed. Moreover, instead of directing the commissioners to revise their valuation reports and base the just compensation of the property on their market value as of 1979, the court merely resolved to cut in half the BIR Zonal Value of P4,400.00 to P2,200.00 per square meter, and declare that the fair market value of Manansan's lot was P1,285,900.00, or a total of P1,304,072.50 including the value of the improvements thereon.

The RTC declared that it was not bound by the report of the commissioners, which was merely advisory in character. However, no attorney's fees were awarded to defendants.^[7]

Manansan and ADC thereafter appealed the decision to the CA. In his brief as appellant, Manansan alleged the following:

- A. THE LOWER COURT ERRED IN SETTING THE JUST COMPENSATION OF DEFENDANT'S PROPERTIES AT P7,946,555.55 WHICH IS HALF THE VALUE SET BY THE CITY TREASURER AND ASSESSOR.
- B. THE LOWER COURT ERRED IN NOT CONSIDERING THE VALUATION REPORT OF THE PRIVATE APPRAISAL COMPANY, ASIAN APPRAISAL COMPANY, INC., AS THE MORE CREDIBLE BASIS TO DETERMINE THE FAIR MARKET VALUE OF DEFENDANTS' PROPERTIES BY WAY OF JUST COMPENSATION.
- C. THE LOWER COURT ERRED IN NOT AWARDING ATTORNEY'S FEES AS PART OF JUST COMPENSATION.^[8]

On the issue of just compensation, Manansan alleged that the amount of P7,946,555.55 was not the fair and full equivalent for the loss sustained by him which is the measure of the indemnity. He pointed out that there was a blatant admission that the supposed 1979 valuations were taken or arrived at through the 1995 market values as submitted by the City Treasurer and City Assessor. Thus, he insisted, the halved amount of P7,946,555.55 is not the "fair and full equivalent for the loss sustained which is the measure of the indemnity."^[9]

Manansan asserted that the trial court should have adopted the appraisal of AACI which determined the fair market value of his property at P8,183,000.00. After all, the market data approach was used, and the court based its valuation on the sales and listings of comparable property registered within the immediate vicinity. He emphasized that the records of recent sales and offerings of similar land were

analyzed, and comparison made for such factors as size, characteristics of the property, location, quality and prospective use. He averred that the valuation of the City Treasurer and City Assessor, which the lower court considered in arriving at the median sum of P7,946,555.55, should not have been given the weight it was accorded in the assailed decision, as it is certainly and evidentially inferior to that of the determination made by the AACI. Manansan maintained that this fact can be deduced from the rejection of the mode of determining just compensation based on the valuation of the assessor, made by no less than the Supreme Court in *Export Processing Zone Authority v. Dulay*.^[10]

On the issue of attorney's fees, Manansan averred that conformably with the ruling of this Court in *Capitol Subdivision, Inc. v. Province of Negros Occidental*,^[11] he is entitled to attorney's fees. Thus, he prayed that the decision of the RTC be affirmed with modification, to wit:

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Court that the Decision appealed from be modified and plaintiff-appellee ordered to pay defendant-appellant Feliciano Manansan the following:

1. P4,091,500.00 (median of the appraisal of Asian Appraisal Company for lot 8: 584.50 sq. m. x P14,000/sq. m.);
2. Reasonable attorney's fees equivalent to 10% of the amount involved;
3. Legal interest on the sum awarded (P4,091,500.00) as just compensation computed from 1979 up to the date of finality of judgment;
4. The costs of suit.^[12]

On the other hand, the Republic, through the Office of the Solicitor General, averred that what should apply is the ruling of this Court in *Export Processing Zone Authority v. Dulay*.^[13] The valuation report of AACI recommending P40,678,000.00 for Manansan's land only is too much to be deemed credible by the trial court. It was stressed that it took possession of the property only on January 23, 1981; hence, its fair market value should be based as of that year, and not in 1995 when the commissioners submitted their report.

On October 28, 1998, the CA rendered judgment affirming with modification the decision of the RTC. The *falla* of the decision reads:

WHEREFORE, the judgment herein appealed from is hereby AFFIRMED, with the MODIFICATION that the plaintiff-appellee is hereby ordered to pay the defendants-appellants legal interest (6% per annum) on the amounts of P6,642,483.00 and P1,304,072.50 due them, from January 16, 1981 until the said amounts are fully paid.

No pronouncement as to costs.