

THIRD DIVISION

[G. R. No. 129889, July 11, 2002]

**SPOUSES JESUS AND TERESITA FRILLES, PETITIONERS, VS.
SPOUSES ROBERTO AND CLARA YAMBAO AND P. T. LEELIN
REALTY & DEVELOPMENT CORPORATION, RESPONDENTS.**

D E C I S I O N

SANDOVAL-GUTIERREZ, J.:

Clara M. Paterno and her brother, Leonardo M. Paterno, were the registered owners of a 277-square meter lot situated at 7414 Santillan St., Barangay Pio del Pilar, Makati City, under Transfer Certificate of Title (TCT) No. 137813 of the Registry of Deeds, same city.

On October 15, 1974, Leonardo Paterno leased the lot to spouses Teresita and Jesus Frilles. In their lease contract,^[1] they agreed that the period of the lease shall be fifteen (15) years, renewable at the will of both parties, at a monthly rental of P200.00; and that the lessees shall construct a building on the premises.

On March 17, 1983, Leonardo Paterno and his sister, Clara Paterno-Yambao,^[2] sold the same lot to P. T. Leelin Realty & Development Corporation (Leelin Realty for brevity) for Two Hundred Thousand Pesos (P200,000.00). Subsequently, the title of the property was cancelled and TCT No. 121130 was issued in the name of Leelin Realty. This prompted spouses Frilles to file with the Regional Trial Court, Makati, Branch 61, on June 1, 1989 a complaint for rescission of the deed of sale, reconveyance and damages against spouses Yambao and Leelin Realty.^[3] In their complaint, spouses Frilles alleged, among others, that (a) pursuant to the lease contract, which would expire on December 17, 1989, they have been diligently paying the monthly rentals and that they constructed their residential building thereon; and that (b) the sale of the leased property to Leelin Realty deprived them of their opportunity to exercise their preferential right to purchase it under Presidential Decree No. 1517 (otherwise known as the Urban Land Reform Law).

In their answer to the complaint, spouses Yambao^[4] countered *inter alia* that P.D. No. 1517 does not vest upon spouses Frilles any preferential right to buy the lot.

Subsequently, spouses Frilles consigned to the trial court the amount of Three Hundred Thousand Pesos (P300,000.00) as proof of their financial capability to purchase the property even at a higher price.

After the pre-trial conference, on the basis of a motion for summary judgment^[5] filed by spouses Frilles, the trial court, on June 8, 1992, rendered judgment, the dispositive portion of which reads:

“WHEREFORE, premises above-considered, a summary judgment is hereby rendered in favor of the plaintiffs and as against defendants by:

1. Declaring plaintiffs as entitled to the preferential right to purchase the property object of this suit under the terms and conditions to be determined by the Urban Zone Expropriation and Land Management Committee as provided for in Section 8 of Presidential Decree No. 1517;

2. Declaring the Deed of Sale, dated 17 March 1983, executed by Clara P. Yambao and Leonardo M. Paterno in favor of defendant P. T. Leelin Realty & Development Corporation as null and void;

3. Ordering defendant P. T. Leelin Realty & Development Corporation to convey the subject property in favor of herein plaintiffs upon receipt of the full payment therefor as well as for real property taxes and other legal fees in favor of the government.

“SO ORDERED.”^[6]

On July 2, 1992, spouses Yambao and Leelin Realty interposed an appeal to the Court of Appeals, docketed as CA-G.R. CV No. 39152.

On February 28, 1997, the Court of Appeals rendered a Decision, the dispositive portion of which states:

“WHEREFORE, premises considered, the appealed decision is hereby REVERSED and SET ASIDE and a new one entered DISMISSING the complaint. Costs against the appellees.

“SO ORDERED.”

On March 21, 1997, spouses Frilles filed a motion for reconsideration but was denied.^[7]

Hence, the instant petition for review on certiorari.

The issue in this case is whether or not the petitioners are entitled to the right of first refusal to purchase the subject lot under P. D. No. 1517.

Petitioners contend that as legitimate tenants for more than ten years under the lease contract, they have the preferential right to purchase the property, pursuant to Section 6, P. D. No. 1517, which reads:

“Section 6. *Land Tenancy in Urban Land Reform Areas*. Within the Urban Zones, legitimate tenants who have resided on the land for ten years or more, who have built their homes on the land, and residents who have legally occupied the lands by contract, continuously for the last ten years shall not be dispossessed of the land and shall be allowed the right of first refusal to purchase the same within a reasonable time and at reasonable prices, under terms and conditions to be determined by the Urban Zone Expropriation and Land Management Committee created by Section 8 of this Decree.”

On the other hand, respondents claim that P. D. No. 1517 does not apply to this case because the lot involved is not part of the declared Areas for Priority Development and Urban Land Reform Zones.

We agree with the respondents.

P. D. No. 1517, which took effect on June 11, 1978, seeks to protect the rights of bona-fide tenants in urban lands by prohibiting their ejectment therefrom under certain

conditions, and by according them preferential right to purchase the land occupied by them.^[8] The law covers all urban and urbanizable lands which have been proclaimed as urban land reform zones by the President of the Philippines.^[9] If a particular property is within a declared Area for Priority Development and Urban Land Reform Zone, the qualified lessee of the said property in that area can avail of the right of first refusal to purchase the same in accordance with Section 6 of the same law.^[10] Only legitimate tenants who have resided for ten years or more on specific parcels of land situated in declared Urban Land Reform Zones or Urban Zones, and who have built their homes thereon, have the right not to be dispossessed therefrom and the right of first refusal to purchase the property under reasonable terms and conditions to be determined by the appropriate government agency.^[11]

Pursuant to P. D. No. 1517, then President Ferdinand E. Marcos issued Proclamation No. 1893 on September 11, 1979 declaring the entire Metropolitan Manila area as an Urban Land Reform Zone for purposes of urban land reform.^[12] The pertinent provisions of the said proclamation read:

"x x x x x x x x x

"NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, pursuant to Section 4 of Presidential Decree No. 1517 entitled 'Proclaiming Urban Land Reform in the Philippines and Providing for the Machinery Thereof,' **do hereby declare the entire Metropolitan Manila composed of the Cities of Manila, Quezon, Pasay and Caloocan and the Municipalities of Valenzuela, Malabon, Navotas, Marikina, San Juan, Mandaluyong, Makati, Pasig, Pateros, Taguig, Paranaque, Las Piñas and Muntinlupa as an Urban Land Reform Zone.**

"Accordingly, as Section 4 of Presidential Decree No. 1517 provides, 'No urban land can be disposed of or used or constructed on unless its disposition or use conforms with the development and zoning plans of the Ministry (of Human Settlements), and the approved enforcement and implementation guidelines in accordance with the Official Development Registry System and the Development Use Permit System provided for in Sections 13 and 16 of this Decree.'

"In consonance with the above, all landowners in Metro Manila are required under Sections 4, 9, 12 and 15 of said Decree to register their existing rights, development proposals, proposed improvements, and proposals to sell, lease or encumber lands with the Human Settlements Regulatory Commission."

"x x x x x x x x x " (Emphasis ours)

Thereafter, or on May 14, 1980, Proclamation No. 1967 was issued, amending Proclamation No. 1893 and identifying 244 sites in Metropolitan Manila as Areas for Priority Development and Urban Land Reform Zones, thus:

"x x x x x x x x x

"NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution and existing laws, and in relation to Proclamation No. 1893 declaring the entire Metropolitan Manila area as an Urban Land Reform Zone, and LOI 935, **hereby amend Proclamation No. 1893 by declaring 244 sites in Metropolitan Manila as Areas for Priority Development and Urban Land Reform Zones** as described in the attached annex.