



REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Manila

SECOND DIVISION

NOTICE

Sirs/Mesdames:

*Please take notice that the Court, Second Division, issued a Resolution dated **01 March 2021** which reads as follows:*

“G.R. No. 222823 (Republic of the Philippines, represented by the Department of Public Works and Highways (DPWH) v. Heirs of Luis Juan dela Cruz) —

Antecedents

On December 7, 2007, the Republic of the Philippines (Republic) through the Department of Works and Highways (DPWH) filed a Complaint for Expropriation¹ against respondent Luis Juan dela Cruz (now represented by his heirs) over a 979-square meter lot situated in Brgy. Ugong, Valenzuela City under TCT V-81783.

The Republic asserted that pursuant to Sec. 7, Executive Order No. 1035,² the DPWH was tasked to construct the C-5 Northern Link Road Project to provide faster and more comfortable travel to the public. Segment 8.1 of the project traversed Mindanao Avenue in Quezon City up to North Luzon Expressway in Valenzuela City. For this purpose, the DPWH sought to expropriate properties. Among them is the subject property owned by dela Cruz. The complaint for expropriation on the property got raffled to the Regional Trial Court (RTC)-Br. 172, Valenzuela City.³

In their answer, respondents heirs of Luis Juan dela Cruz maintained

¹ *Rollo*, pp. 52-60.

² PROVIDING THE PROCEDURES AND GUIDELINES FOR THE EXPEDITIOUS ACQUISITION BY THE GOVERNMENT OF PRIVATE REAL PROPERTIES OR RIGHTS THEREON FOR INFRASTRUCTURE AND OTHER GOVERNMENT DEVELOPMENT PROJECTS.

³ *Rollo*, pp. 54.

that they were supportive of the project for which the subject land was to be expropriated. They admitted that the zonal value of their property was ₱2,750.00 per square meter, albeit the fair market value (FMV) of other properties within the vicinity ranged from ₱15,000.00 to ₱20,000.00 per square meter. They too asserted that the subject property is situated near the industrial sites in the city and other lots devoted to commerce and business, such as the construction and operation of warehouses.⁴

On June 6, 2008, the trial court ordered the Republic to issue a check payable to respondents equivalent to 100% of the zonal value of the subject property as initial deposit. Upon respondents' receipt thereof on June 12, 2008, the trial court, on September 24, 2008,⁵ issued a corresponding writ of possession in favor of the Republic.

During the trial, the Republic presented Fe Pesebre, officer-in-charge of the Institutional Development Division of the National Housing Authority (NHA) and Zenaida Galvez, Community Relations Chief B (North Sector 2), NHA-NCR who both noted that the subject property was surrounded by areas where informal settlers and even wanted criminals lived. It also offered the parcellary plan; satellite map; judicial affidavits of Pesebre and Galvez; NHA's alphabetical master list of households in Sitio Kabatuhan and Brgy. Ugong; vicinity maps of Sitios Kabatuhan and Kaingin and Brgy. Ugong; NHA's numerical masterlist of households in Sitio Kaingin and Brgy. Ugong and relocation accomplishment report.⁶

For their part, respondents did not present any evidence.⁷

By Order dated May 4, 2010, the trial court constituted the board of commissioners to determine the just compensation for the property.⁸ After due proceedings, the board came out with its Report dated February 5, 2013,⁹ recommending ₱10,000.00 per square meter as just compensation, thus:

That the property of the defendants are about 394.23 from the property of Hobart Realty Development Corporation classified as commercial lot and about 1,734.83 meters away from the property of Sps. Mapalad Serrano, et al. which is also claqqssified (sic) as rersidential (sic) lot. In Hobart Realty Development Corporation, where the fair market value of the property was pegged at P15,000.00/per (sic) square meter, while in Mapalad Serrano, et al. it was pegged at P5,000.00/per (sic) square meter. Taking into consideration the distance of the properties of the defendants from Hobart Realty Development Corporation and considering that the property of the defendants although residential is located in an area devoted for mixed residential, commercial and industrial land usage xxx¹⁰

⁴ *Rollo*, p. 13.

⁵ *Id.* at 13, 100.

⁶ *Id.* at 14.

⁷ *Id.*

⁸ *Id.* at 13.

⁹ *Id.* at 75-77.

¹⁰ *Id.* at 77.

The Ruling of the Trial Court

By Decision dated December 4, 2013,¹¹ the trial court fixed the just compensation at ₱9,000.00 per square meter, *viz.*:

WHEREFORE, judgment is hereby rendered fixing the just compensation of the 979 square meters lot at ₱8,811,000.00 (979 sq. meters x ₱9,000) and authorizing the payment thereof by the plaintiff to the heirs of the defendant for the property condemned deducting the provisional deposit of ₱2,692,250.00 previously made and subject to the payment of all unpaid real property taxes and other relevant taxes by the defendants, if there be any.

The plaintiff is directed to pay interest at the rate 12% per annum on the amount of deposit of ₱2,692,250.00 from the time of the filing of the complaint on December 7, 2007 up to the time that the said amount was deposited in court by the plaintiff on June 12, 2008 and to pay the interest rate of 12% per annum on the unpaid balance of just compensation of ₱6,118,750.00 (₱8,811,000.00 – ₱2,692,250.00) computed from the time of the filing of the complaint until the plaintiff fully paid the balance.

Considering that no claim as to any replacement costs of any improvements has been prayed for, no additional amount for the replacement costs of the improvements erected on the lot owned by the defendants is awarded.

The plaintiff is also directed to pay the members of the Board of Commissioners the amount of ₱3,000.00/each as Commissioner's fees.

SO ORDERED.¹²

It gave consideration to the following veritable data: the amount of ₱2,750.00 per square meter representing BIR's zonal value, ₱15,000.00 per square meter representing respondents' own declared valuation, and ₱10,000.00 per square meter representing the recommended valuation by the board of commissioners. The trial court also noted that the property indeed is situated near the developed commercial areas in the city. Further taking into consideration that the land is both residential and/or commercial and the prevailing selling price of properties in the surrounding areas is a matter of record, it fixed just compensation at ₱9,000.00 per square meter.¹³ The trial court made mention of the fact that it had previously pegged the value of a commercial lot owned by the Hobart Realty Development situated in the vicinity at ₱15,000.00 per square meter. This valuation was affirmed by the Court of Appeals and later by the Supreme Court.

¹¹ Penned by Judge Nancy Rivas-Palmones; *id.* at 99-102.

¹² *Id.* at 102.

¹³ *Id.*

The Ruling of the Court of Appeals

On appeal, the Republic maintained that just compensation should be fixed based on the zonal value of the property, considering the informal settlers and wanted criminals lurking in the surrounding areas; aside from the lack of any improvements found in the property.

By Decision dated June 30, 2015,¹⁴ the Court of Appeals affirmed, with modification, *viz.*:

WHEREFORE, premises considered, the instant Appeal is hereby PARTLY GRANTED. Accordingly, the 4 December 2013 Decision of the Regional Trial Court of Valenzuela City, Branch 172 in Civil Case No. 221-V-07 is AFFIRMED with MODIFICATION. Plaintiff-Appellant is ordered to pay interest rate of 6% per annum counted from the time of filing of the Complaint for expropriation until full payment of the balance. However, Plaintiff-Appellant is declared exempt from paying commissioner's fees.

SO ORDERED.

It emphasized that in expropriation proceedings, just compensation is the **full and fair equivalent** of the value of the property at the time it is taken from the owner by the expropriator. Under Section 5, Republic Act No. (RA) 8974,¹⁵ zonal value is not the sole basis but just one of the indices of the fair market value of a real estate used in expropriation cases.¹⁶

The trial court correctly fixed the amount of just compensation at ₱9,000.00 per square meter. In arriving at this amount, the trial court correctly considered the BIR zonal valuation, respondents' declared value of the property, the classification of the property and its proximity to the developed areas in the city, the prevailing selling price of surrounding properties, and the recommendation of the board of commissioners. Notably, the trial court even lowered the board's recommendation from ₱10,000.00 to ₱9,000.00 per

¹⁴ Penned by Associate Justices Florito S. Macalino with Associate Justice Mariflor P. Punzalan Castillo and Zenaida T. Galapate-Laguilles, concurring; *id.* at 11-20.

¹⁵ SECTION 5. Standards for the Assessment of the Value of the Land Subject of Expropriation Proceedings or Negotiated Sale. — In order to facilitate the determination of just compensation, the court may consider, among other well- established factors, the following relevant standards:

(a) The classification and use for which the property is suited;
(b) The developmental costs for improving the land;
(c) The value declared by the owners;
(d) The current selling price of similar lands in the vicinity;
(e) The reasonable disturbance compensation for the removal and/or demolition of certain improvements on the land and for the value of improvements thereon;
(f) The size, shape or location, tax declaration and zonal valuation of the land;
(g) The price of the land as manifested in the ocular findings, oral as well as documentary evidence presented; and
(h) Such facts and events as to enable the affected property owners to have sufficient funds to acquire similarly-situated lands of approximate areas as those required from them by the government, and thereby rehabilitate themselves as early as possible

¹⁶ *Rollo*, p. 18.

square meter.¹⁷

As for the award of interest, the Court of Appeals reduced it from twelve percent (12%) to six percent (6%) per annum. It denied reconsideration on January 22, 2016.¹⁸

The Present Petition

The Republic through the Office of the Solicitor General (OSG) now asks the Court to reverse the dispositions of the Court of Appeals.¹⁹ It maintains that the trial court's reliance on the Commissioners' Report dated February 5, 2013 cannot sufficiently support the amount of ₱9,000.00 per square meter as just compensation for the property. Obviously, the trial court gave little consideration, if not completely ignored the evidence on record.²⁰

Worse, both courts arbitrarily relied on the purported proximity of the property to Hobart Realty Development when its actual use should have been the basis for fixing just compensation. The property is classified only as an ordinary residential lot, while the Hobart property is situated within a residential subdivision. Surely, the market values of two different real estates vary and may not be similarly treated in terms of fixing the just compensation.²¹

More, the trial court had improperly refused to take into consideration the lurking presence of informal settlers within the surrounding areas. Testimonial and documentary evidence showing the government's effort to relocate them is found in the records which should have been considered.²²

Finally, the zonal value is reflective of a real property's fair market value within a given area. Thus, this should have been the main basis for fixing the just compensation. This relevant factor should not have been merely brushed aside. At any rate, the amount of ₱ 9,000.00 per square meter is not justified by the evidence.²³

In their *Comment*,²⁴ respondents riposte that ₱9,000.00 per square meter as just compensation for the property is not excessive, arbitrary, or unsupported by evidence, law, and jurisprudence:

First. The rate of just compensation for properties taken for the C-5 Northern Link Road Project, Segment 8.1 had already been settled with

¹⁷ *Id.* at 17.

¹⁸ *Id.* at 9-10.

¹⁹ *Id.* at 22-37.

²⁰ *Id.* at 30.

²¹ *Id.* at 31-32.

²² *Id.* at 32.

²³ *Id.* at 34.

²⁴ *Id.* at 191-203.

finality in *Hobart* (G.R. No. 201136), *Liao Chin Guat Balisbis and Edna Lim* (Civil Case No. 288-V-99), *Mapalad* (Civil Case No. 52-V-08), and *Garcia* (Civil Case No. 287-V-99) which, though not involving the same parties, involved similarly situated properties.

In *Hobart*, the Court affirmed the valuation of ₱15,000.00 per square meter as proposed by the board of commissioners using the **market data approach**. Here, the board of commissioners applied the same methodology when it came out with its proposed rate of ₱10,000.00 per square meter. As it was, the trial court even reduced it to ₱9,000.00.²⁵ This finding therefore should no longer be disturbed.²⁶

Second. The Republic wrongly relied on the false allegation that the surrounding areas were swarmed with informal settlers. Nothing in the records shows that there had been any family or individual who illegally occupied the property or the adjoining lots. The informal settlers actually reside along the riverbank which is nowhere near the subject property.²⁷

Finally, jurisprudence has consistently ruled that the zonal value is not the sole consideration when fixing just compensation. The location and accessibility of the property, the prevailing selling prices of comparable properties, amenities available, together with a host of other relevant factors may be considered by the board of commissioners and the trial court in fixing just compensation.²⁸

In its *Reply*,²⁹ the OSG reiterates the arguments in the petition.

Our Ruling

We deny the petition.

The subject property was expropriated in 2008 before RA 10752³⁰ took effect. The applicable law therefore is RA 8974.³¹ Its Section 4 allows the valuation of property based on its zonal value and its existing improvements for the sole purpose of determining the initial deposit of the government. The initial deposit ensures that the landowner will eventually be paid, and, at the same time, allows the government to immediately take possession of the property during the pendency of the expropriation case. But this initial deposit only represents the *provisional* valuation of the property.³²

²⁵ *Id.* at 194.

²⁶ *Id.* at 195.

²⁷ *Id.* at 194.

²⁸ *Id.* at 195-201.

²⁹ *Id.* at 207-214.

³⁰ AN ACT FACILITATING THE ACQUISITION OF RIGHT-OF-WAY, SITE OR LOCATION FOR NATIONAL GOVERNMENT INFRASTRUCTURE PROJECTS.

³¹ An Act to Facilitate the Acquisition of Right-of-way, Site or Location for National Government Infrastructure Projects and for Other Purposes (2000). NB. This has since been repealed by REPUBLIC ACT NO. 10752.

³² *National Power Corporation v. Posadas*, 755 Phil. 613, 637 (2015).

In fixing the final rate of just compensation, Section 5 of RA 8974 governs. It enumerates eight (8) relevant factors to be considered by the court for this purpose. As shown, the zonal value is just one of them. Courts, therefore, are not precluded from considering other relevant factors, among them, the classification of the property, the declared value of the property by the landowner, and the current selling price of similarly situated lots.

On the other hand, Rule 67 of the Rules of Court bears the procedure to be followed in expropriation proceedings, *viz.*:

Section 4. Guidelines for Expropriation Proceedings. - Whenever it is necessary to acquire real property for the right-of-way or location for any national government infrastructure project through expropriation, the appropriate implementing agency shall initiate the expropriation proceedings before the proper court under the following guidelines:

(a) Upon the filing of the complaint, and after due notice to the defendant, the implementing agency shall immediately pay the owner of the property the amount equivalent to the sum of **(1) one hundred percent (100%) of the value of the property based on the current relevant zonal valuation** of the Bureau of Internal Revenue (BIR); and **(2) the value of the improvements and/or structures** as determined under Section 7 hereof;

xxxx

Upon compliance with the guidelines abovementioned, the court shall immediately issue to the implementing agency an order to take possession of the property and start the implementation of the project.

xxxx

Section 5. Standards for the Assessment of the Value of the Land Subject of Expropriation Proceedings or Negotiated Sale. - In order to facilitate the determination of just compensation, the court may consider, among other well-established factors, the following relevant standards:

- (a) The **classification and use** for which the property is suited;
- (b) The developmental costs for improving the land;
- (c) The **value declared by the owners**;
- (d) The **current selling price of similar lands in the vicinity**;
- (e) The reasonable disturbance compensation for the removal and/or demolition of certain improvements on the land and for the value of improvements thereon;
- (f) The size, shape or location, **tax declaration and zonal valuation of the land**;
- (g) The **price of the land as manifested in the ocular findings**,

oral as well as documentary evidence presented; and

- (h) Such facts and events as to enable the affected property owners to have sufficient funds to acquire similarly-situated lands of approximate areas as those required from them by the government, and thereby rehabilitate themselves as early as possible. (Emphases added)

Thus, conformably with the statutory command of RA 8974 and the prescribed procedure under Rule 67, the trial court here correctly arrived at the rate ₱9,000.00 per square meter as just compensation. There is no denying that as in prior cases involving similarly situated properties, the trial court here also took into consideration the amount of ₱10,000.00 per square meter proposed by the board of commissioners, ₱15,000.00 per square meter representing respondents' own valuation of the property, and ₱2,750.00 per square meter³³ representing the zonal value, the classification of the property and the prevailing selling price in the market.

The Republic, however, insists that the just compensation here ought to be reduced to ₱2,750.00 per square meter based on the zonal value of the property, as well as the testimonies of the representatives of the NHA, the vicinity maps, a list of households in the surrounding areas, and relocation reports, among others.³⁴

We are not convinced.

For one, the law is clear – to facilitate the determination of just compensation, the court may consider well-established factors and zonal valuation is only one of them.

In *Republic of the Philippines v. Asia Pacific Integrated Steel Corporation*,³⁵ the Court emphasized:

Zonal valuation is just one of the indices of the fair market value of real estate. By itself, this index cannot be the sole basis of "just compensation" in expropriation cases. As this Court ruled in *Leca Realty Corporation v. Rep. of the Phils.*:

The Republic is incorrect, however, in alleging that the values were exorbitant, merely because they exceeded the maximum zonal value of real properties in the same location where the subject properties were located. **The zonal value may be one, but not necessarily the sole, index of the value of a realty.** *National Power Corporation v. Manubay Agro-Industrial* held thus:

"x x x [Market value] is **not limited to the assessed value of the property or to the schedule of market values determined by the**

³³ *Rollo*, p. 102.

³⁴ *Id.* at 22-37.

³⁵ 729 Phil. 402, 416 (2014), citing *Republic v. Court of Appeals*, 433 Phil. 106 (2002).

provincial or city appraisal committee. However, these values may serve as factors to be considered in the judicial valuation of the property." (Emphases and underscoring supplied)

At any rate, records show that the zonal value of the property was in fact among the relevant factors considered by the trial court in arriving at the rate of just compensation here, thus:³⁶

Taking into consideration the **recommended BIR zonal valuation** as appearing in the complaint of ₱2,750 per square meter which is much higher than the other areas subjected for expropriation, the **value declared by the defendants** in the amount of ₱ 15,000 per square meter in their position paper, the **recommendation of the Board of Commissioners** in the amount of ₱ 10,000 and **this court's observation on the location of the property** which is 394.23 meters away from Hobard Realty Development Corporation, a commercial lot which value of the property was pegged by this court at ₱15,000/sq. meters in a decision dated March 16, 2010 in Civil Case No. 15-v-08 which decision was affirmed by the Court of Appeals and Supreme Court, the **classification** of the lot which is for residential and/or commercial lot usage, and the **selling price of the property** within the vicinity, the Court rules that the just compensation for the defendant's property sought to be taken in this case is fixed at ₱9,000 per square meter. (Emphases and underscoring supplied)

As for the so called informal settlers and wanted criminals lurking within the vicinity of the property, and the purported absence of any improvements found on the property, suffice it to state that these are factual issues beyond this Court's cognizance under Rule 45. Besides, the factual findings of the trial court based on its appreciation of the evidence are, in the absence of grave abuse of discretion or palpable error are binding, if not conclusive upon the Court, especially when the same carried the full concurrence of the Court of Appeals, as here.³⁷

All told, the Court does not find any compelling or special reason to deviate from the rate of just compensation fixed by the trial court, which is ₱9,000.00 per square meter.

We, however, modify the interest imposed.

To recall, the trial court ordered the Republic:³⁸

[T]o pay interest at the rate **12% per annum on the amount of deposit** of ₱2,692,250.00 from the time of the filing of the complaint on December 7, 2007 up to the time that the said amount was deposited in court by the plaintiff on June 12, 2008 and to pay the interest rate of **12% per annum on the unpaid balance** of just compensation of ₱6,118,750.00

³⁶ *Rollo*, pp. 166-167; RTC Decision pp. 3-4.

³⁷ *Republic v. Sps. Darlucio*, G.R. No. 227960, July 24, 2019.

³⁸ *Rollo*, p. 167; RTC Decision, p. 4.

(₱8,811,000.00 – ₱2,692,250.00) computed from the time of the filing of the complaint until the plaintiff fully paid the balance. (Emphases supplied)

On appeal, the Court of Appeals reduced the award of interest to six percent (6%) per annum.³⁹

In *Republic of the Philippines v. Macabagdal*,⁴⁰ the Court clarified that interest shall only accrue from the time of taking, not the filing of the complaint. *Macabagdal*, too, demonstrated the proper application of *Nacar v. Gallery Frames*⁴¹ on the interest rate to be imposed, *viz.*:

Nonetheless, it bears to clarify that legal interest **shall run not from the date of the filing of the complaint but from the date of the issuance of the Writ of Possession xxx, since it is from this date that the fact of the deprivation of property can be established.** As such, it is only proper that accrual of legal interest should begin from this date. Accordingly, the Court deems it proper to correct the award of legal interest to be imposed on the unpaid balance of the just compensation for the subject lot, which shall be computed at the rate of twelve percent (12%) p.a. from the date of the taking on May 5, 2008 until June 30, 2013. **Thereafter, or beginning July 1, 2013, until fully paid, the just compensation due respondent shall earn legal interest at the rate of six percent (6%) p.a.** (Citations omitted, emphases and underscoring supplied)

Accordingly, just compensation shall only earn interest from the date of taking. Consequently, any amount deposited as provisional payment shall not earn interest if it precedes the time of taking, as here. The courts below therefore erred when they imposed interest on the amount of initial deposit preceding the time of taking. As for the remaining balance, it shall earn twelve percent (12%) interest per annum from the date of taking on September 28, 2008 until June 30, 2013, and thereafter, six percent (6%) per annum.

WHEREFORE, the petition is **DENIED**. The Decision dated June 30, 2015⁴² and Resolution dated January 22, 2016⁴³ in CA-G.R. CV No. 102006 are **AFFIRMED with MODIFICATION**.

The Republic of the Philippines through the Department of Public Works and Highways is **ORDERED** to **PAY** respondents Heirs of Luis Juan dela Cruz:

1. ₱9,000.00 per square meter or **₱8,811,000.00 as just compensation** for the expropriated property measuring 979 square meter **LESS** the

³⁹ *Id.* at 19; CA Decision, p. 9.

⁴⁰ 823 Phil. 477, 482 (2018).

⁴¹ 716 Phil. 267 (2013).

⁴² Penned by Associate Justice Florito S. Macalino with Associate Justice Mariflor P. Punzalan Castillo and Zenaida T. Galapate-Laguilles, concurring; *Rollo*, pp. 11-20.

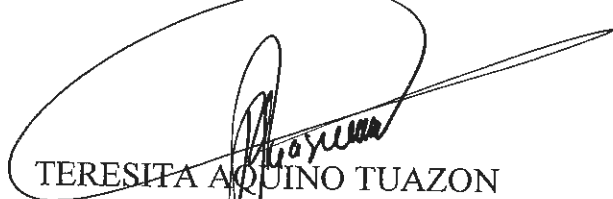
⁴³ *Id.* at 9-10.

initial deposit of **₱2,692,250.00**, or a difference of **₱6,118,750.00**;
and

2. **Twelve percent (12%) interest per annum** from September 24, 2008 to June 30, 2013, and thereafter, **six percent (6%) interest per annum on the difference of ₱6,118,750.00**, until fully paid.

SO ORDERED." (Rosario, *J.*, on leave.)

By authority of the Court:


TERESITA AQUINO TUAZON
Division Clerk of Court *by a/l*
11 JUN 2021

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HON. PRESIDING JUDGE (reg)
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Valenzuela City
(Civil Case No. 221-V-07)

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