PNO

Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

HEIRS OF TERESITA MONTOYA, represented by JOEL MONTOYA, HEIRS OF PATRICIO OCAMPO, represented by VIOLETA OCAMPO, and BARTOLOME OCAMPO,
Petitioners,

-versus-

NATIONAL HOUSING AUTHORITY, DORITA GONZALES and ERNESTO GONZALES, in his capacity and as attorney-in-fact,
Respondents.

G.R. No. 181055

Present:

CARPIO, *J., Chairperson,*
BRION,
DEL CASTILLO,
PEREZ, and
REYES,* *JJ.*

Promulgated:

MAR 19 2014

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DECISION

BRION, *J.*:

In this petition for review on *certiorari*,[1] we resolve the challenge to the August 31, 2007 decision[2] and the November 26, 2007 resolution[3] of the Court of Appeals *(CA)* in CA-G.R. SP No. 97496. This CA decision affirmed *in toto* the August 17, 2005 decision[4] of the Department of Agrarian Reform Adjudication Board *(DARAB)* in DARAB Case No. 9832, which in turn affirmed the March 1, 2000 decision[5] of the Provincial

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* Designated as Acting Member in lieu of Associate Justice Estela M. Perlas-Bernabe, per Special Order No. 1650 dated March 13, 2014.

1 *Rollo*, pp. 9-35.

2 Penned by Associate Justice Jose L. Sabio, Jr., and concurred in by Associate Justices Jose C. Reyes, Jr. and Myrna Dimaranan Vidal; id at 37-55.

3 Id. at 65-66.

4 Penned by DARAB Assistant Secretary/Member Edgar A. Igano; id. at 87-97.

5 Penned by Provincial Adjudicator Erasmo SP. Cruz; id. at 217-228.

Agrarian Reform Adjudicator *(PARAD)* of San Fernando, Pampanga. The PARAD decision denied the Complaint for Injunction and Declaration of Nullity of Deed of Absolute Sale filed by petitioners Heirs of Teresita Montoya, represented by Joel Montoya, Heirs of Patricio Ocampo, represented by Violeta Ocampo, and Bartolome Ocampo.

The Factual Antecedents

At the core of the present controversy are several parcels of land,[6] 1,296,204 square meters (or approximately 129.62 hectares) in total area *(property)*, situated in Barangay Pandacaqui, Mexico, Pampanga, and Barangay Telepayong and Barangay Buensuceso, Arayat, Pampanga. The property was a portion of the 402-hectare landholding *(landholding)* previously owned by the Gonzales family *(Gonzaleses)*; it is currently registered in the name of respondent National Housing Authority *(NHA)* under Transfer Certificate of Title Nos. 395781 to 395790.[7]

The PARAD summarized the facts as follows:

In 1992, the Gonzaleses donated a portion of their landholding in Pandacaqui, Mexico, Pampanga as a resettlement site for the thousands of displaced victims of the Mt. Pinatubo eruption. The donation[8] was signed in Malacañang and *per* the terms of the donation, the Gonzaleses gave the landholding's tenants one-half share of their respective tillage with the corresponding title at no cost to the latter. The Gonzaleses retained the property (pursuant to their retention rights) and registered it in respondent Dorita Gonzales-Villar's name.

Still needing additional resettlement sites, the NHA purchased the property on February 20, 1996.[9] The NHA, thereafter, applied, before the Department of Agrarian Reform *(DAR)*, for the conversion of the property to residential from agricultural use. On November 30, 1996,[10] the DAR approved the NHA's application for conversion.

In their complaint[11] filed before the PARAD, the petitioners claimed that they were the registered tenants of the property, under the government's operation land transfer *(OLT)* program, *per* the April 25, 1996 certification of the Municipal Agrarian Reform Officer *(MARO)* of Arayat, Pampanga.[12] They argued that the 1992 donation (that gave the tenants one-half share of their respective tillage with the corresponding title at no cost) and the

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6 These parcels of land were designated as Lots 1, 2, 3, 4, 5, 8, 9, 11 and 12 and respectively covered by Transfer Certificates of Title Nos. 393174-R, 393175-R, 393181-R, 393177-R, 393178-R, 393186-R, 393187-R, 393189-R and 393190-R of the Registry of Deeds of Pampanga; id. at 203-212.

7 Ibid.

8 See Memorandum of Agreement dated December 23, 1992; id. at 173-178.

9 Deed of Absolute Sale; id. at 118-122.

10 Id. at 168-171.

11 Id. at 112-116.

12 Id. at 117. Per this Certification, the following were the petitioners' respective tillage: Patricio – Lot No. 23 (20,815 sqm.); Teresita – Lot No. 86 (13,287 sqm.), Lot No. 11 (4,870 sqm.) and Lot No. 24 (4,027 sqm.); and Bartolome – Lot No. 27 (14,000 sqm.).

February 20, 1996 sale between the NHA and the Gonzaleses were intended to circumvent the provisions of Presidential Decree *(P.D.)* No. 27[13] and of Republic Act *(R.A.)* No. 6657 (the Comprehensive Agrarian Reform Law of 1988).

The petitioners further claimed that on March 15, 1996,[14] they informed the NHA of their objections to the NHA's purchase of the property. Despite this notice, the NHA destroyed their rice paddies and irrigation dikes in violation of their security of tenure.

The NHA answered,[15] in defense, that the Gonzaleses and the DAR assured them that the property was cleared from any claim of tenants/squatters. It pointed out that on November 9, 1994, the Provincial Agrarian Reform Officer (*PARO*) concurred with the MARO's recommendation for the conversion of the property to be used as resettlement site for the Mt. Pinatubo eruption victims and he (the PARO) indorsed this recommendation to the Office of the DAR Secretary.[16] Also, on February 7, 1996, the NHA Board, through Resolution No. 3385, approved the acquisition of the property for the stated purpose. It added that the DAR approved the property's conversion as having substantially complied with the rules and regulations on land conversion. Finally, it argued that the property was already outside the land reform program's coverage per Section 1 of P.D. No. 1472.[17]

In their answer,[18] Dorita and Ernesto (collectively, the *respondents*) similarly pointed to the DAR's November 30, 1996 conversion order. They also claimed, as special defense, that the petitioners had been remiss in their lease rental payments since 1978. Lastly, they pointed out that they had already paid the required disturbance compensation to the property's tenants, save for the petitioners who refused to accept their offer.

The PARAD's and the DARAB's rulings

In its decision of March 1, 2000,[19] the PARAD denied the petitioners' complaint. The PARAD found that the property's conversion to residential from agricultural uses conformed with the law and passed its rigorous requirements. The DAR's approval of the NHA's application for conversion made in compliance of the law legally converted and effectively removed the property from the coverage of the Comprehensive Agrarian Reform Program (*CARP*). Additionally, the PARAD pointed to the presumption of regularity that the law accords to the performance of official duties.

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13 "Decreeing the Emancipation of Tenants from the Bondage of the Soil, Transferring to them the Ownership of the Land They Till and Providing the Instruments and Mechanism Therefor." Enacted on October 21, 1972.

14 *Rollo,* p. 123.

15 Id. at 124-131.

16 See also the DAR's November 30, 1996 conversion order; *supra* note 10.

17 Enacted on June 11, 1978.

18 *Rollo*, pp. 132-135.

19 *Supra* note 5.

The PARAD also pointed out that the property's removal from the CARP's coverage further finds support in P.D. No. 1472, which exempts from the coverage of the agrarian reform program lands acquired or to be acquired by the NHA for its resettlement projects. In this regard, the PARAD highlighted the purpose for which the NHA purchased the property, *i.e.,* as a resettlement site for the thousands of displaced victims of the Mt. Pinatubo eruption.

Lastly, the PARAD rejected the petitioners' claim of "deemed ownership" of the property under Executive Order *(E.O.)* No. 228,[20] in relation to P.D. No. 27. The PARAD pointed out that the petitioners presented only two Certificates of Land Transfer (*CLTs*), both under Jose Montoya's name that covered a 1.96 hectare area. Even then, the PARAD held that the CLTs are not proof of absolute ownership; at best, they are evidence of the government's recognition of Jose as the covered portion's tenant.

Nevertheless, the PARAD recognized the petitioners' entitlement to disturbance compensation in an amount equivalent to five times the average gross harvest for the last five years, pursuant to Section 36(1) of R.A. No. 3844,[21] less the petitioners' rental arrears.

In its August 17, 2005 decision,[22] the DARAB affirmed *in toto* the PARAD's ruling. It subsequently denied the petitioners' motion for reconsideration[23] in its October 4, 2006 resolution.[24]

The CA's ruling

In its August 31, 2007 decision,[25] the CA affirmed the DARAB's ruling (that affirmed those of the PARAD's). As the DARAB and the PARAD did, the CA held that the property's conversion complied with the law's requirements and procedures that are presumed to have been done in the regular performance of official duties. And, as the NHA acquired the property as resettlement sites, the CA pointed out that the property is exempted from the agrarian reform program's coverage, pursuant to P.D. No. 1472. The CA additionally observed that the property was the Gonzaleses' retained area that Section 6 of R.A. No. 6657 specifically guarantees to them (as landowners) despite the issuance of Jose's CLTs.

The petitioners filed the present petition after the CA denied their motion for reconsideration[26] in the CA's November 26, 2007 resolution.[27]

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20 Enacted on July 17, 1987.
21 Otherwise known as the "Agricultural Land Reform Code." Enacted on August 8, 1963.
22 *Supra* note 4.
23 *Rollo,* pp. 98-102.
24 Id. at 103-105.
25 *Supra* note 2.
26 *Rollo,* pp. 56-63.
27 *Supra* note 3.

The Petition

The petitioners argue in this petition[28] that the CA erred in declaring the property as the Gonzaleses' retained area. They point out that the Gonzaleses failed to prove that they (the Gonzaleses) filed, before the DAR, an application to exercise their retention rights over the property or that the DAR approved such application pursuant to DAR Administrative Order No. 4, series of 1991 and DAR Administrative Order No. 6, series of 2000.

The petitioners also argue that the property had already been covered by the government's OLT program prior to the NHA's purchase; this purchase, therefore, constitutes a prohibited disposition of agricultural land per Section 6 of R.A. No. 6657. And, while P.D. No. 1472 exempts from the agrarian reform program's coverage lands that the NHA acquires for its resettlement projects, the petitioners argue that this law should be read in conjunction with the provisions of the Comprehensive Agrarian Reform Law (*CARL*); hence, as the NHA acquired the property after the CARL's effectivity date, the exempting provision of P.D. No. 1472 no longer applies.

Finally, the petitioners maintain that as CLT holders, they are deemed owners of their respective tillage as of October 21, 1972, pursuant to E.O. No. 228, in relation to P.D. No. 27. The Gonzaleses, therefore, could not have validly sold the property in 1996, the ownership of which the law had already vested to them as of October 21, 1972.

The Case for the Respondents

For their part, the respondents argue that the issue of whether the property is part of the Gonzaleses' retained area, which the DARAB and the CA resolved in their favor, is factual and, therefore, beyond the ambit of a Rule 45 petition.[29] In fact, the respondents point out that the DAR approved the property's conversion to residential from agricultural uses after ascertaining that it was part of their retained area, in addition to their compliance with the required documentation and procedures.

The respondents also argue that the sale/disposition-prohibition in Section 6 of R.A. No. 6657 applies only to private agricultural lands that are still covered by the CARP. To the respondents, this prohibition does not apply to private lands, such as the property, whose use the law had already validly converted.

Finally, the respondents reject the petitioners' claim of "deemed ownership" of the property *per* the issued CLTs. They maintain that the CLTs do not vest any title to or ownership over the covered property but, at most, are evidence of the preliminary step for acquiring ownership, which,

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28 *Supra* note 1. See also the petitioners' Memorandum; *rollo*, pp. 326-349.

29 Id. at 245-260.

in every case, requires prior compliance with the prescribed terms and conditions.

The Case for the NHA

The NHA argues in its comment[30] that the petition raises questions of fact that are proscribed in a petition for review on *certiorari*. While the law allows certain exceptions to the question-of-fact proscription, it points out that the petitioners' cited exception does not apply as the PARAD, the DARAB and the CA unanimously ruled on these factual matters that were well supported by substantial evidence.

Additionally, the NHA argues that it acquired the property for its resettlement project (for the Mt. Pinatubo eruption victims) and is thus outside the CARL's coverage. It points out that the exempting provision of P.D. No. 1472 extends equally to lands that it had acquired prior to the effectivity of the CARL and to those that it acquired or will acquire thereafter.

The Court's Ruling

We do not find the petition meritorious.

The petition's arguments present proscribed factual issues

The petitioners essentially assail in this petition the validity of the NHA's acquisition of the property, in view of the prohibition on sale or disposition of agricultural lands under E.O. No. 228, in relation to P.D. No. 27 and Section 6 of R.A. No. 6657. Resolution of this petition's core issue requires the proper interpretation and application of the laws and the rules governing the government's agrarian reform program, as well as the laws governing the powers and functions of the NHA as the property's acquiring entity. As presented, therefore, this petition's core issue is a question of law that a Rule 45 petition properly addresses.

This notwithstanding, the resolution of this petition's core issue necessitates the prior determination of two essentially factual issues, *i.e.,* the validity of the property's conversion and the petitioners' claimed ownership of the property. As questions of fact, they are proscribed in a Rule 45 petition.

The settled rule is that the Court's jurisdiction in a petition for review on *certiorari* is limited to resolving only questions of law. A question of law arises when the doubt exists as to what the law is on a certain state of facts, while there is a question of fact when the doubt arises as to the truth or

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[30] Id. at 235-240. See also the NHA's Memorandum; id. at 305-313.

falsity of the alleged facts.[31] Under these significations, we clearly cannot resolve this petition's issues without conducting a re-examination and re-evaluation of the lower tribunals' unanimous findings on the factual matters (of the property's conversion and of the petitioners' ownership of the property), including the presented evidence, which the Court's limited Rule 45 jurisdiction does not allow.

Moreover, this Court generally accords respect, even finality to the factual findings of quasi-judicial agencies, *i.e.,* the PARAD and the DARAB, when these findings are supported by substantial evidence.[32] The PARAD and the DARAB, by reason of their official position have acquired expertise in specific matters within their jurisdiction, and their findings deserve full respect; without justifiable reason, these factual findings ought not to be altered, modified, or reversed.[33]

To be sure, this Rule 45 proscription is not iron-clad and jurisprudence may admit of exceptions.[34] A careful review of this case's records, however, justifies the application of the general proscriptive rule rather than the exception. Viewed in this light, we are constrained to deny the petition for raising proscribed factual issues and because we find no reason to depart from the assailed rulings.

Even if we were to disregard this procedural lapse and decide the case on its merits, we are inclined to deny the petition and affirm as valid the NHA's acquisition of the property on three main points, which we will discuss in detail below.

The property was validly converted to residential from agricultural uses

In declaring the questioned Deed of Absolute Sale valid, all three tribunals found that the property has already been removed from the agrarian reform's coverage as a result of its valid conversion from agricultural to residential uses.

We find no reason to disturb their findings and conclusion on this matter.

Under Section 65 of R.A. No. 6657, the DAR is empowered to authorize, under certain conditions, the reclassification or conversion of

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31 *Republic v. Guilalas,* G.R. No. 159564, November 16, 2011, 660 SCRA 221, 228.

32 See *Maylem v. Ellano,* G.R. No. 162721, July 13, 2009, 592 SCRA 440, 449.

33 *Heirs of Arcadio Castro, Sr. v. Lozada,* G.R. No. 163026, August 29, 2012, 679 SCRA 271, 290.

34 These exceptions are: (1) the conclusion is grounded on speculations, surmises or conjectures; (2) the inference is manifestly mistaken, absurd or impossible; (3) there is grave abuse of discretion; (4) the judgment is based on a misapprehension of facts; (5) the findings of fact are conflicting; (6) there is no citation of specific evidence on which the factual findings are based; (7) the findings of absence of facts are contradicted by the presence of evidence on record; (8) the findings of the CA are contrary to those of the trial court; (9) the CA manifestly overlooked certain relevant and undisputed facts that, if properly considered, would justify a different conclusion; (10) the findings of the CA are beyond the issues of the case; and (11) such findings are contrary to the admissions of both parties.

agricultural lands. Pursuant to this authority and in the exercise of its rule-making power under Section 49 of R.A. No. 6657, the DAR issued Administrative Order No. 12, series of 1994 *(DAR A.O. 12-94)* (the then prevailing administrative order), providing the rules and procedure governing agricultural land conversion. Item VII of DAR A.O. 12-94 enumerates the documentary requirements for approval of an application for land conversion.[35] Notably, Item VI-E provides that no application for conversion shall be given due course if: (1) the DAR has issued a Notice of Acquisition under the compulsory acquisition process; (2) a Voluntary Offer to Sell covering the subject property has been received by the DAR; or (3) there is already a perfected agreement between the landowner and the beneficiaries under Voluntary Land Transfer.

In the November 30, 1996 order, the DAR Secretary approved the NHA's application for the property's conversion as it was substantially

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[35] Item VII of DAR A.O. 12-94 pertinently provides:

VII. DOCUMENTARY REQUIREMENTS

A. Requirements for all applicants:

1. Application for Conversion (Land Use Conversion [LUC] Form No. 1, Series of 1994)
2. Special Power of Attorney, if the petitioner is other than the owner of the land
3. True copy of Original Certificate of Title (OCT) or Transfer Certificate of Title (TCT) certified by the Register of Deeds
4. Location Plan, Vicinity Map of the Land and Area Development Plan including Work and Financial Plan, statement of justification of economic/social benefits of the project and recent photographs of the property being applied for conversion
5. Proof of financial and organizational capability to develop the land, such as:
    a. Profile of developer, including details of past or current development projects
    b. Financial Statements duly authenticated by a certified public accountant
    c. Articles of Incorporation or Partnership, if the applicant/developer is a corporation or partnership
6. Zoning certification from the HLURB Regional Officer when the subject land is within a city/municipality with a land use plan/zoning ordinance approved and certified by the HLRB (LUC Form No. 2, Series of 1994)
7. Certification of the Provincial Planning and Development Coordinator that the proposed use conforms with the approved land use plan when the subject land is within a City/Municipality which a land use plan/zoning ordinance approved by the Sangguniang Panlalawigan (SP). The certification should specify the SP Resolution Number and the date of the approval of the land use plan. (LUC Form No. 3, Series of 1994)
8. Certification from the Regional Irrigation Manager of the National Irrigation Administration (NIA) (LUC Form No. 4, Series of 1994) or the President of the cooperative or irrigator's association, if the system is administered by a cooperative or association (LUC Form No. 4-A, Series of 1994) on whether or not the area is covered under AO No. 20, Series of 1992 of the Office of the President
9. Certification from the DENR Regional Executive Director concerned that the proposed conversion is ecologically sound (LUC Form No. 5, Series of 1994)
10. Additional requirements if at the time of the application the land is within the agricultural zone:
    a. Certification from the DA Regional Director concerned that the land has ceased to be economically feasible and sound for agricultural purposes (LUC Form No. 6, Series of 1994) or Certification from the local government unit that the land or locality has become highly urbanized and will have greater economic value for commercial, industrial and residential purposes (LUC Form No. 7, Series of 1994)
    b. Municipal/city resolution favorably indorsing the application for conversion.

compliant with the rules and regulations on land use conversion. Significantly, the DAR Secretary noted that the department has already certified as exempt from CARP the property after the voluntary land transfer.[36]

Following the restriction set by Item VI-E of DAR A.O. 12-94, the DAR Secretary clearly would not have approved the NHA's application for conversion had the property been subjected to the CARP's coverage, more so if the NHA failed to comply with the documentary requirements enumerated in Item VII. As the government agency specifically tasked to determine the propriety of and to grant (or deny) the conversion of agricultural lands to non-agricultural uses, the DAR Secretary's determination on this matter of the property's conversion is, therefore, an exercise of discretion that this Court generally cannot interfere with. After all, official duties, such as the DAR Secretary's conversion order in this case, are presumed to have been done regularly, absent any showing of impropriety or irregularity in the officer's performance.

Interestingly, the petitioners never appealed the DAR Secretary's conversion order which rendered the conversion order final and executory. Under Section 51, in relation to Section 54, of R.A. No. 6657, any decision, order, award or ruling of the DAR on any matter pertaining to the application, implementation, enforcement or interpretation of the Act becomes final and conclusive after the lapse of fifteen (15) days unless assailed before the CA *via* a petition for *certiorari.* As the petitioners did not assail the DAR Secretary's conversion order pursuant to Sections 51 and 54, this conversion order became final and conclusive on the petitioners.

Section 6 of R.A. No. 6657 does not absolutely prohibit the sale or disposition of private agricultural lands

Section 6 of R.A. No. 6657[37] specifically governs retention limits. Under its last paragraph, "any sale, disposition, lease, management, contract

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36 *Rollo*, p. 170.

37 Section 6 of R.A. No. 6657 reads in full:

Section 6. Retention Limits. — Except as otherwise provided in this Act, no person may own or retain, directly or indirectly, any public or private agricultural land, the size of which shall vary according to factors governing a viable family-size farm, such as commodity produced, terrain, infrastructure, and soil fertility as determined by the Presidential Agrarian Reform Council (PARC) created hereunder, but in no case shall retention by the landowner exceed five (5) hectares. Three (3) hectares may be awarded to each child of the landowner, subject to the following qualifications: (1) that he is at least fifteen (15) years of age; and (2) that he is actually tilling the land or directly managing the farm: provided, that landowners whose lands have been covered by Presidential Decree No. 27 shall be allowed to keep the areas originally retained by them thereunder: provided, further, that original homestead grantees or their direct compulsory heirs who still own the original homestead at the time of the approval of this Act shall retain the same areas as long as they continue to cultivate said homestead.

The right to choose the area to be retained, which shall be compact or contiguous, shall pertain to the landowner: provided, however, that in case the area selected for retention by the landowner is tenanted, the tenant shall have the option to choose whether to

or transfer of possession of private lands executed by the original landowner in violation of [R.A. No. 6657]" is considered null and void. A plain reading of the last paragraph appears to imply that the CARL absolutely prohibits sales or dispositions of private agricultural lands. The interpretation or construction of this prohibitory clause, however, should be made within the context of Section 6, following the basic rule in statutory construction that every part of the statute be "interpreted with reference to the context, *i.e.*, that every part of the statute must be considered together with the other parts, and kept subservient to the general intent of the whole enactment."[38] Notably, nothing in this paragraph, when read with the entire section, discloses any legislative intention to absolutely prohibit the sale or other transfer agreements of private agricultural lands after the effectivity of the Act.

In other words, therefore, the sale, disposition, etc. of private lands that Section 6 of R.A. No. 6657 contextually prohibits and considers as null and void are those which the original owner executes in violation of this provision, *i.e.,* sales or dispositions executed with the intention of circumventing the retention limits set by R.A. No. 6657. Consistent with this interpretation, the proscription in Section 6 on sales or dispositions of private agricultural lands does not apply to those that do not violate or were not intended to circumvent the CARL's retention limits.

Guided by these principles, we are not convinced that the Gonzaleses' act of selling the property to the NHA amounted to a sale or disposition of private agricultural lands that the terms of Section 6 of R.A. No. 6657 prohibit and consider as null and void, for three reasons.

***First**, P.D. No. 1472 applies, with equal force, to lands subsequently acquired by the NHA.* Under Section 1 of P.D. No. 1472, "government resettlement projects x x x and such other lands or property acquired by the National Housing Authority or its predecessors-in-interest or to be acquired

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> remain therein or be a beneficiary in the same or another agricultural land with similar or comparable features. [In] case the tenant chooses to remain in the retained area, he shall be considered a leaseholder and shall lose his right to be a beneficiary under this Act. [In] case the tenant chooses to be a beneficiary in another agricultural land, he loses his right as a leaseholder to the land retained by the landowner. The tenant must exercise this option within a period of one (1) year from the time the landowner manifests his choice of the area for retention.
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> In all cases, the security of tenure of the farmers or farmworkers on the land prior to the approval of this Act shall be respected.
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> Upon the effectivity of this Act, **any sale, disposition, lease, management, contract or transfer of possession of private lands executed by the original landowner in violation of the Act shall be null and void**: provided, however, that those executed prior to this Act shall be valid only when registered with the Register of Deeds within a period of three (3) months after the effectivity of this Act. Thereafter, all Registers of Deeds shall inform the Department of Agrarian Reform (DAR) within thirty (30) days of any transaction involving agricultural lands in excess of five (5) hectares. [emphasis ours]

[38] *Land Bank of the Phils. v. AMS Farming Corp.,* 590 Phil. 170, 203 (2008).

by it for resettlement purposes and/or housing development, are hereby declared as outside the scope of the Land Reform Program."[39]

In *National Housing Authority v. Department of Agrarian Reform Adjudication Board,*[40] the Court, agreeing with the NHA's position, declared that "P.D. 1472 exempts from land reform those lands that petitioner NHA acquired for its housing and resettlement programs whether it acquired those lands when the law took effect or afterwards. The language of the exemption is clear: the exemption covers 'lands or property acquired x x x or to be acquired' by NHA."[41]

***Second**, the NHA purchased the property for a public purpose; in effect, the NHA acquired the property in the exercise of the right of eminent domain.* The NHA was created pursuant to P.D. No. 757[42] as a government corporation mandated to implement the government's housing development and resettlement program. To be able to perform this function, the NHA is vested with sovereign powers. This includes, among others, the exercise of the right of eminent domain or the right to "acquire by purchase privately owned lands for purposes of housing development, resettlement and related services and facilities[.]"[43]

Pursuant to its mandate and in the exercise of its powers and functions, the NHA purchased the property to meet the immediate public need or exigency of providing a resettlement site for the thousands of individuals displaced by the Mt. Pinatubo eruption – a catastrophe that destroyed and wiped out entire towns in the province of Pampanga. Under the circumstances, the Gonzaleses could not be said to have sold the property to the NHA in order to circumvent the retention limits set by R.A. No. 6657. The property was sold in order to meet a clear public purpose – to serve as a resettlement site – which the context of Section 6 of R.A. No. 6657 does not prohibit.

***And third**, the respondents were willing and had offered to pay the petitioners disturbance compensation.* The payment of disturbance

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39 Underscore ours.

40 G.R. No. 175200, May 4, 2010, 620 SCRA 33, 37.

41 Id. at 37.

42 Enacted on July 31, 1975. The title of this Decree reads: "Creating the National Housing Authority and Dissolving the Existing Housing Agencies, Defining its Powers and Functions, Providing Funds Therefor, and for Other Purposes."

43 The NHA's powers and functions are enumerated in Section 6 of P.D. No. 757. It reads in part:
> Section 6. Powers and functions of the Authority. The Authority shall have the following powers and functions to be exercised by the Board in accordance with the established national human settlements plan prepared by the Human Settlements Commission:
> (a) Develop and implement the comprehensive and integrated housing program provided for in Section 1 hereof;
> (b) Formulate and enforce general and specific policies for housing development and resettlement;
> (c) Prescribe guidelines and standards for the reservation, conservation and utilization of public lands identified for housing and resettlement;
> **(d) Exercise the right of eminent domain or acquire by purchase privately owned lands for purposes of housing development, resettlement and related services and facilities**[.] [emphasis ours]

compensation is required by R.A. No. 3844, as well as by DAR A.O. 12-94 for a valid conversion of agricultural lands to non-agricultural uses.

Accordingly, consistent with the findings of the three tribunals and the records, we affirm as valid the NHA's purchase of the property.

The petitioners' presented CLTs could not have vested them with ownership over the property

A CLT is a document that the government issues to a tenant-farmer of an agricultural land primarily devoted to rice and corn production placed under the coverage of the government's OLT program pursuant to P.D. No. 27. It serves as the tenant-farmer's (grantee of the certificate) proof of *inchoate* right over the land covered thereby.[44]

A CLT does not automatically grant a tenant-farmer absolute ownership of the covered landholding. Under PD No. 27, land transfer is effected in two stages: (1) issuance of the CLT to the tenant-farmer in recognition that said person is a "deemed owner"; and (2) issuance of an Emancipation Patent *(EP)* as proof of full ownership upon the tenant-farmer's full payment of the annual amortizations or lease rentals.[45]

As a preliminary step, therefore, the issuance of a CLT merely evinces that the grantee thereof is qualified to avail of the statutory mechanism for the acquisition of ownership of the land tilled by him, as provided under P.D. No. 27.[46] The CLT is not a muniment of title that vests in the tenant-farmer absolute ownership of his tillage.[47] It is only after compliance with the conditions which entitle the tenant-farmer to an EP that the tenant-farmer acquires the vested right of absolute ownership in the landholding.[48] Stated otherwise, the tenant-farmer does not acquire full ownership of the covered landholding simply by the issuance of a CLT. The tenant-farmer must first comply with the prescribed conditions and procedures for acquiring full ownership but until then, the title remains with the landowner.[49]

We agree, in this regard, that a tenant-farmer issued a CLT is "deemed owner" of the described landholding for P.D. No. 27, in relation to E.O. No. 228, states that the tenant-farmer "shall be deemed owner of a portion constituting a family-size farm[.]" Yet, as we clarified above, the legal effect of a CLT is different from that of an EP. The petitioners' presented CLTs are not muniments of title vesting them absolute ownership as to

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44 See *Del Castillo v. Orciga,* 532 Phil. 204, 214 (2006).

45 Ibid. See also *Maylem v. Ellano, supra* note 32, at 449-450.

46 See *Dela Cruz, et al. v. Quiazon,* 593 Phil. 328, 340 (2008); and *Pagtalunan v. Judge Tamayo,* 262 Phil. 267, 275 (1990).

47 *Dela Cruz, et al. v. Quiazon, supra* note 46, at 340.

48 See *Pagtalunan v. Judge Tamayo, supra* note 46, at 275.

49 See *Heirs of Dr. Jose Deleste v. Land Bank of the Philippines (LBP),* G.R. No. 169913, June 8, 2011, 651 SCRA 352, 382, citing *Association of Small Landowners in the Philippines, Inc. v. Sec. of Agrarian Reform*, G.R. No. 78742, July 14, 1989, 175 SCRA 343, 390-391.

render void the Gonzaleses' sale of the property for want of authority. At most, these CLTs established an inchoate right over the property, in favor of the grantee, but which, nonetheless, was insufficient to divest the Gonzaleses ownership of the property and vest this ownership in the former. More so could these CLTs have legally prevented the NHA from purchasing the property under the circumstances and for the reasons discussed above.

We note, at this point, the PARAD's observation that despite claiming to have received CLTs from then President Ferdinand Marcos, the petitioners presented only two CLTs, both in Jose's name and covering a meager 1.96-hectare area. With the only CLTs issued to Jose as the CLTs on record, we are justified to conclude that no CLTs had been issued to Bartolome and Patricio. Hence, as holders of neither CLTs nor EPs, Bartolome and Patricio could never have acquired ownership of the property, "deemed" or otherwise.

All told, we find no error that we can reverse in the assailed CA rulings; the petitioners failed to show justifiable reason to warrant the reversal of the decisions of the PARAD and of the DARAB, as affirmed by the CA. Consequently, we deny the petition and affirm as VALID the Gonzaleses' sale of the property in favor of the NHA.

WHEREFORE, in light of these considerations, we hereby **DENY** the petition. We **AFFIRM** the decision dated August 31, 2007 and the resolution dated November 26, 2007 of the Court of Appeals in CA-G.R. SP No. 97496. No costs.

SO ORDERED.

ARTURO D. BRION
Associate Justice

WE CONCUR:

ANTONIO T. CARPIO
Associate Justice
Chairperson

MARIANO C. DEL CASTILLO
Associate Justice

JOSE PORTUGAL PEREZ
Associate Justice

BIENVENIDO L. REYES
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIA LOURDES P. A. SERENO
Chief Justice