

National Housing Authority (NHA) vs. The Department of Agrarian Reform Adjudication Board (DARAB) and Mateo Villaruz, substituted by his heirs, namely, Sonia Villaruz, Margarita Villaruz and Carlos H. Villaruz
G.R. No. 175200; 4 May 2010

Facts: In 1960, the estate of the late C.N. Hodges (Estate) asked Mateo Villaruz (Villaruz) to work as tenant of the Estate's 7-hectare rice field in Bacolod, to prevent squatters from occupying the land. In 1976, squatters settled in 4 hectares of the land. In 1985, the NHA bought the land when the bank foreclosed the Estate's mortgage over the same. Villaruz asked the PARAD to recognize him as tenant-beneficiary under Presidential Decree (P.D.) No. 27¹ and to retain his possession of the 3-hectare portion of the land.

According to Villaruz, since the NHA stepped into the shoes of the Estate, the NHA assumed responsibility for maintaining his tenancy over the land by way of subrogation pursuant to Section 10 of Republic Act No. 3844,² which provides:

SECTION 10. *Agricultural Leasehold Relation Not Extinguished by Expiration of Period, etc.* - The agricultural leasehold relation under this Code shall not be extinguished by mere expiration of the term or period in a leasehold contract nor by the sale, alienation or transfer of the legal possession of the landholding. In case the agricultural lessor sells, alienates or transfers the legal possession of the landholding, the purchaser or transferee thereof shall be subrogated to the rights and substituted to the obligations of the agricultural lessor.

The NHA, however, contended that it was not subject to subrogation since the land was acquired for its housing and resettlement projects and was, thus, exempt from the operation of agrarian laws. The NHA cited Section 1 of P.D. 1472³ which provides:

SECTION 1. The government resettlement projects in Sapang Palay, San Jose Del Monte, Bulacan; Carmona, Cavite; San Pedro, Laguna; Dasmariñas, Cavite; and such other lands or property acquired by the National Housing Authority or its predecessors-in-interest or to be acquired by it for resettlement purposes and/or housing development, are hereby declared as outside the scope of the Land Reform Program under the Agricultural Land Reform Code, as amended, and as such, the National Housing Authority or its predecessors-in-interest shall not be held liable for disturbance compensation as the case may be.

The PARAD ruled in Villaruz's favor but directed him to pay 25% of his net harvest to NHA until a fixed rental was set. The PARAD, however, declined to declare Villaruz owner of the 3-hectare portion since the land ceased to be private agricultural land when it was bought by the government, and was already outside the coverage of P.D. 27.

According to the PARAD, the exemption under Section 1 of P.D. 1472 applied only to lands already acquired by the NHA when P.D. 1472 took effect on 11 June 1978. Based on the "whereas" clause of that presidential decree, the intent was to preserve properties that the NHA

¹ 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.

² Agricultural Land Reform Code.

³ Amending Republic Act Nos. 4852 and 6026 by Providing Additional Guidelines in the Utilization, Disposition and Administration of All Government Housing and Resettlement Projects.

already acquired on or before June 11, 1978. The exemption, therefore, did not apply to the subject land since the NHA bought it in 1985.

The NHA appealed the PARAD decision to the Department of Agrarian Reform Adjudication Board (DARAB) which affirmed the PARAD decision. The NHA appealed to the Court of Appeals.

While holding that the exemption under P.D. 1472 also applied to properties the NHA acquired after the decree took effect, the Court of Appeals nonetheless upheld the PARAD and DARAB decisions. According to the Court of Appeals, the situation in this case differed from what P.D. 1472 contemplated; since Villaruz was already a tenant of the subject land when the NHA acquired it, the exemption did not apply.

Consequently, the NHA filed a petition for review with the Supreme Court.

Issue: Whether or not the land, which had been acquired by the NHA, was exempt from the coverage of agrarian reform.

Held: P.D. 1472 exempts from land reform those lands that the 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. Its Section 1 does not make any distinction whether the land the NHA acquired is tenanted or not. When the law does not distinguish, no distinction should be made.

In addition, Section 1 of P.D. 1472 provides that the NHA shall not be liable for disturbance compensation. Since only tenants working on agricultural lands can claim disturbance compensation, the exemption assumes that the NHA may have to acquire such kinds of land for its housing program. If the exemption from payment of disturbance compensation applied only to untenanted lands, then such exemption would be meaningless or a superfluity.

If the ruling of the Court of Appeals were to be upheld, the NHA would have to allow Villaruz and his successors-in-interest to work on the subject land as agricultural tenants for as long as they liked without any chance of getting an emancipation patent over it under P.D. 27. This would be antithetical to the objectives of the agrarian reform program. As for the NHA, it would become an agricultural lessor with no right to use the land for the purpose for which it bought the same. This, in turn, would become prejudicial to the government’s housing projects.

While the Court was mindful of the plight of tenant-farmers like Villaruz, it was incumbent upon it to weigh their rights against the government’s interest in meeting the housing needs of the greater majority.

Ponente: J. Roberto A. Abad

Vote: 5-0