Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

CAT REALTY CORPORATION,	**G.R. No. 208399**
Petitioner,	
- versus -	Present:
DEPARTMENT OF AGRARIAN REFORM (DAR), CENTER FOR AGRARIAN REFORM EMPOWERMENT & TRANSFORMATION, INC. (CARET), ALTERNATIVE COMMUNITY-CENTERED ORGANIZATION FOR RURAL DEVELOPMENT (ACCORD), BENJAMIN C. DE VERA, JR., and TENORIO GARCIA,	GESMUNDO, *CJ.*, Chairperson CAGUIOA, CARANDANG, ZALAMEDA, and GAERLAN, *JJ.*
Respondents.	Promulgated: JUN 23 2021

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D E C I S I O N

ZALAMEDA, *J.*:

Before the Court is a petition for review on *certiorari*[1] under Rule 45 of the Rules of Court assailing the Decision[2] dated 19 June 2012 and Resolution[3] 31 July 2013 of the Court of Appeals (CA) in CA-G.R. SP No.

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1 *Rollo,* pp. 3-28.

2 *Id.* at 32-42; penned by Associate Justice Florito S. Macalino and concurred in by Associate Justices Remedios A. Salazar-Fernando and Ramon M. Bato, Jr. of the Second Division, Court of Appeals, Manila.

3 *Id.* at 29-31; penned by Associate Justice Florito S. Macalino and concurred in by Associate Justices

107977, which affirmed the Order[4] dated 15 August 2008 of the Secretary of respondent Department of Agrarian Reform (DAR). In its Order dated 15 August 2008, DAR partially revoked a previous Order[5] issued on 04 September 1975 which converted twenty-three (23) parcels of agricultural land into land suitable for residential, commercial, industrial and other urban purposes.

Antecedents

Central Azucarera de Tarlac, the predecessor-in-interest of petitioner CAT Realty Corporation (CAT Realty), filed a petition for conversion of 23 parcels of agricultural land, with an aggregate area of 386.7992 hectares, located in Bayambang, Pangasinan (subject property). After conducting an investigation of the parcels of land, then DAR Secretary Conrado Estrella (Sec. Estrella) issued the Order dated 04 September 1975 (Conversion Order), granting the conversion and declaring the subject property as land suitable for residential, commercial, industrial, and other urban purposes.[6] The Order, in part, read:

> In view of the foregoing, and considering the parcels of land subject hereof to be suitable for residential, commercial, industrial or for other urban purposes as found and recommended by the Agrarian Reform Team, the Agrarian Reform District Office and the Department of Local Government and Community Development, and considering also, that the tenant-farmers, the occupant-tillers and/or squatters in the subject land are amenable to the conversion as herein stated and the petitioner is likewise in conformity to their terms and conditions as afore-stated, the request of the petitioner is hereby given due course and the parcels of land subject hereof are hereby declared suitable for residential, commercial, industrial or other urban purposes, subject however, to the provisions of R.A. No. 3844 as amended by R.A. No. 6389, P.D. 316, P.D. 553 and G.O. No. 53.
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> Moreover, so as not to create any conflict and/or misunderstanding in the future between the herein petitioner and the alleged tenants, occupant-tillers and squatters or occupants in the residential portions of the property, the following conditions are hereby incorporated as part of this Order:
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> 1. That the petitioner shall pay the bonafide tenants the disturbance compensation provided for by law;

Remedios A. Salazar-Fernando and Ramon M. Bato, Jr. of the Former Second Division, Court of Appeals, Manila.

4 *Id.* at 128-135; by Secretary Nasser Pangandaman.

5 *Id.* at 43-49; by then DAR Secretary Conrado F. Estrella.

6 *Id.* at 33.

2. That the bonafide tenants, occupant-tillers and/or squatters shall continuously worked on the untenanted landholdings until such time that the herein petitioner-owner shall developed and/or convert such areas to non-agricultural or agro-urban purposes;

3. That in addition to the payment of the disturbance compensation to the bonafide tenants, the herein petitioner-owner shall likewise allocate to the said tenants including however, the occupant-tillers-squatters a homelot of not less than 300 square meters which will be sold to them at minimum cost which homelots shall be within the residential portions of the subject property or in portions thereof which will not be affected by the urban or agro-urban development of the whole property to be determined by the petitioner-owner; and

4. That the displaced tenants, occupant-tillers or squatters or their sons shall be given the priority of employment in any agro-industrial project which the petitioner, the Central Azucarera de Tarlac, may established in the land in question.

So Ordered.[7]

On 15 December 2004, respondents Center for Agrarian Reform Empowerment & Transformation, Inc. (CARET), Alternative Community-Centered Organization for Rural Development (ACCORD), Benjamin C. De Vera, Jr., and Tenario Garcia (private respondents) filed a petition for revocation of the Conversion Order. According to private respondents, the conversion of the subject property should be revoked on the following grounds: (1) CAT Realty and its predecessor-in-interest failed to develop the subject property and (2) the same remains agricultural in use.[8]

Thereafter, then DAR Secretary Nasser Pangandaman (Sec. Pangandaman) issued an Order dated 02 August 2006 partially revoking the Conversion Order and directing the municipal agrarian reform officer to proceed with the acquisition of the portions of the subject property that were still agriculturally viable under the Comprehensive Agrarian Reform Program (CARP), *viz*:

WHEREFORE, premises considered, the instant Petition for Revocation of the Conversion Order dated 04 September 1975 issued by then DAR Secretary Conrado Estrella involving the twenty three (23) parcels of land with an aggregate area of 386.7992 hectares located in Bayambang, Pangasinan is hereby PARTIALLY GRANTED as to the areas which are undeveloped. Accordingly, the Conversion Order dated 04 September 1975 is hereby PARTIALLY REVOKED.

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7 *Id.* at 48-49.

8 *Id.* at 34.

> The Municipal Agrarian Reform Officer and the Provincial Agrarian Reform Officer concerned are hereby DIRECTED to immediately proceed with the acquisition of subject properties which are still agriculturally viable under the Comprehensive Agrarian Reform Program.
>
> SO ORDERED.[9] [Emphases removed]

According to the Sec. Pangandaman, there was failure to comply with the conditions set by the Conversion Order.[10] In particular, CAT Realty failed to convert and develop portions of the subject property, noting that the same still remained agricultural in nature.[11]

CAT Realty moved for reconsideration of the partial revocation order. DAR granted the motion and reinstated the Conversion Order in an Order[12] dated 11 October 2006:

> WHEREFORE premises considered, the Motion for Reconsideration filed by the CAT Realty is hereby GRANTED. The Order dated 02 August 2006 partially revoking the Order dated 04 September 1975 issued by former DAR Secretary Conrado Estrella is hereby SET ASIDE. The Order dated 04 September 1975 issued by former DAR Secretary Conrado Estrella is hereby AFFIRMED IN TOTO.
>
> SO ORDERED.[13]

DAR found that CAT Realty was able to comply with the condition to pay disturbance compensation by giving the tenants a subdivision. It also found there was no specific period within which CAT Realty had to develop the subject property. Moreover, DAR held that private respondents slept on their rights and were estopped from questioning the non-development of the subject property.[14]

Consequently, private respondents moved for reconsideration. Sec. Pangandaman again reconsidered and reinstated the partial revocation of the Conversion Order. In his Order[15] dated 06 September 2007, Sec. Pangandaman disposed:

> WHEREFORE, premises considered, the instant Motion for Reconsideration dated 06 November 2006, from the Order dated 11

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9 *Id.* at 62.
10 *Id.* at 35.
11 *Id.* at 62.
12 *Id.* at 79-83.
13 *Id.* at 83.
14 *Id.* at 36.
15 *Id.* at 94-100.

> October 2006, filed by CARET and ACCORD, represented by Ms. Beth Cagmayo, Mr. Benjamin C. de Vera, and Mr. Tenario Garcia, et al., involving twenty three (23) parcels of land owned by the Central Azucarrera de Tarlac (CAT), with an aggregate area of 386.7992 hectares located in Barangay Bayambang, Pangasinan, is hereby GRANTED and the Order dated 02 August 2006, is hereby AFFIRMED *in toto*.
>
> SO ORDERED.[16]

Sec. Pangandaman reiterated that CAT Realty did not substantially carry out its purpose to convert the land to commercial, industrial and residential uses.[17]

CAT Realty again sought reconsideration but the same was denied by Sec. Pangandaman in an Order[18] dated 15 August 2008. He ruled that majority of the subject property was still agricultural and no substantial development was introduced by petitioner.[19] The dispositive portion of said Order reads:

> WHEREFORE, premises considered, Motion for Reconsideration and/or Supplemental Opposition and Manifestation dated 24 September 2007, from the Order dated 06 September 2007, filed by Central Azucarrera de Tarlac Realty Corporation through its Counsel, Dominic G. Mendoza, involving twenty three (23) parcels of land owned by the Central Azucarrera de Tarlac (CAT), with an aggregate area of 386.7992 hectares located in Barangay Bayambang, Pangasinan, is hereby DENIED. The Order dated 02 August 2006 and the Order dated 06 September 2007 are hereby AFFIRMED IN TOTO.
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> SO ORDERED.[20]

Aggrieved, CAT Realty filed a petition for review under Rule 43 of the Rules of Court before the CA.[21]

Ruling of the CA

The CA denied CAT Realty's petition in the assailed Decision[22] dated 19 June 2012, the dispositive portion of which provides:

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16 *Id.* at 99.
17 *Id.* at 36-37.
18 *Id.* at 128-136.
19 *Id.* at 37.
20 *Id.* at 135.
21 *Id.* at 37.
22 *Id.* at 32-42.

> WHEREFORE, premises considered, the instant petition is hereby DENIED. The August 15, 2008 Order of the Secretary of the public respondent Department of Agrarian Reform is AFFIRMED.
>
> SO ORDERED.[23]

The CA accorded respect and finality to the DAR's factual findings that there was no substantial development on the subject property, noting that the same was still used for agricultural purposes. Thus, there was non-compliance with the Conversion Order.[24] CAT Realty moved for reconsideration, but the CA denied the motion through the assailed Resolution dated 31 July 2013.[25]

Hence, the petition for review on *certiorari.*

Issue

CAT Realty raised the sole issue of whether the CA erred in sustaining the DAR's partial revocation of the Conversion Order, effectively allowing DAR to put the undeveloped areas of the subject property under the coverage of agrarian reform.[26]

Ruling of the Court

We find merit in the petition.

In *Hacienda Luisita, Inc. v. Presidential Agrarian Reform Council,*[27] the Court had occasion to discuss the legislative history of agrarian reform in the Philippines, beginning from the 1935 Constitution until the effectivity of Republic Act (RA) No. 6577, or the Comprehensive Agrarian Reform Law (CARL), on 15 June 1988:

> Land reform, or the broader term "agrarian reform," has been a government policy even before the Commonwealth era. In fact, at the onset of the American regime, initial steps toward land reform were

[23] *Id.* at 42.
[24] *Id.* at 41.
[25] *Id.* at pp. 29-31.
[26] *Id.* at 13.
[27] 668 Phil. 365 (2011); G.R. No. 171101, 05 July 2011 [Per J. Velasco, Jr.].

already taken to address social unrest. Then, under the 1935 Constitution, specific provisions on social justice and expropriation of landed estates for distribution to tenants as a solution to land ownership and tenancy issues were incorporated.

In 1955, the Land Reform Act (Republic Act No. [RA] 1400) was passed, setting in motion the expropriation of all tenanted estates.

On August 8, 1963, the Agricultural Land Reform Code (RA 3844) was enacted, abolishing share tenancy and converting all instances of share tenancy into leasehold tenancy. RA 3844 created the Land Bank of the Philippines (LBP) to provide support in all phases of agrarian reform.

As its major thrust, RA 3844 aimed to create a system of owner-cultivatorship in rice and corn, supposedly to be accomplished by expropriating lands in excess of 75 hectares for their eventual resale to tenants. The law, however, had this restricting feature: its operations were confined mainly to areas in Central Luzon, and its implementation at any level of intensity limited to the pilot project in Nueva Ecija.

Subsequently, Congress passed the Code of Agrarian Reform (RA 6389) declaring the entire country a land reform area, and providing for the automatic conversion of tenancy to leasehold tenancy in all areas. From 75 hectares, the retention limit was cut down to seven hectares.

Barely a month after declaring martial law in September 1972, then President Ferdinand Marcos issued Presidential Decree No. 27 (PD 27) for the "emancipation of the tiller from the bondage of the soil." Based on this issuance, tenant-farmers, depending on the size of the landholding worked on, can either purchase the land they tilled or shift from share to fixed-rent leasehold tenancy. While touted as "revolutionary," the scope of the agrarian reform program PD 27 enunciated covered only tenanted, privately-owned rice and corn lands.

Then came the revolutionary government of then President Corazon C. Aquino and the drafting and eventual ratification of the 1987 Constitution. Its provisions foreshadowed the establishment of a legal framework for the formulation of an expansive approach to land reform, affecting all agricultural lands and covering both tenant-farmers and regular farmworkers.

So it was that Proclamation No. 131, Series of 1987, was issued instituting a comprehensive agrarian reform program (CARP) to cover all agricultural lands, regardless of tenurial arrangement and commodity produced, as provided in the Constitution.

On July 22, 1987, Executive Order No. 229 (EO 229) was issued providing, as its title indicates, the mechanisms for CARP implementation. It created the Presidential Agrarian Reform Council (PARC) as the highest policy-making body that formulates all policies, rules, and regulations necessary for the implementation of CARP.

> On June 15, 1988, RA 6657 or the *Comprehensive Agrarian Reform Law of 1988*, also known as CARL or the CARP Law, took effect, ushering in a new process of land classification, acquisition, and distribution.[28]

Notably, the Conversion Order dated 04 September 1975 of then DAR Sec. Estrella declaring the subject property "suitable for residential, commercial, industrial or other urban purposes"[29] was issued pursuant to the prevailing law during that time, which was RA 3844,[30] as amended by RA 6389.[31] The department head's authority to declare the suitable purpose of landholdings was provided under Section 36(1) thereof:

> (1) The landholding is declared by the department head upon recommendation of the National Planning Commission to be suited for residential, commercial, industrial or some other urban purposes: Provided, That the agricultural lessee shall be entitled to disturbance compensation equivalent to five times the average of the gross harvests on his landholding during the last five preceding calendar years
> (2)

As discussed hereafter, the Court upholds the Order dated 04 September 1975 considering that: (1) the Conversion Order has long attained finality; thus, parties are now estopped from questioning the final and executory conversion order, (2) CAT Realty and its predecessor-in-interest complied with the conditions stated under the conversion order; as such, there was no sufficient ground to cause its partial revocation, and (3) the subject property cannot be subject to agrarian reform since the same was already declared suitable for non-agricultural use prior to the effectivity of RA 6657 on 15 June 1988.

The Order dated 04 September 1975, declaring the conversion of the subject property as suitable for non-agricultural purposes, has long attained finality.

At the outset, the Court notes that the Conversion Order dated 04 September 1975 had already attained finality.

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[28] *Id.*
[29] *Rollo*, p. 48.
[30] Agrarian Land Reform Code, approved on 08 August 1963.
[31] Code of Agrarian Reforms of the Philippines, approved on 10 September 1971.

In *Berboso v. Court of Appeals*,[32] the Court decreed that once final and executory, an order for land conversion can no longer be questioned. Significantly, *Berborso* also involved a similar conversion order issued by Sec. Estrella in 1975, which was sought to be cancelled only in 1992 or seventeen (17) years after its issuance. The Court ruled that the parties were already barred from questioning the final and executory conversion order, *viz*:

> x x x It was only on 9 December 1992, or after 17 years from the issuance of the 22 January 1975 Conversion Order that they questioned the validity of the said Conversion Order when they filed a Petition with the Office of the DAR Secretary for the cancellation of the same. By then, the period for petitioners Berbosos to question the Conversion Order had long since expired. Hence, they are now barred from assailing the said Order under the doctrine of estoppel. Estoppel by laches arises from the negligence or omission to assert a right within a reasonable time, warranting a presumption that the party entitled to assert it either has abandoned or declined to assert it. Once final and executory, the Conversion Order can no longer be questioned.[33]

Indubitably, the conversion order of the DAR was a final order, because it resolved the issue of whether the subject property may be converted to non-agricultural use. Once final and executory, the conversion order can no longer be questioned. It can no longer be modified or reversed. Parties cannot assail said order without running afoul of the doctrine of estoppel.[34]

Further, Section 46 Article VIII of the 2002 Comprehensive Rules on Land Use Conversion provides that a petition for revocation must be filed within ninety (90) days from discovery of the facts which warrant the revocation or withdrawal, but not more that one (1) year from issuance of the Conversion Order.[35]

Clearly, private respondents failed to file the petition for revocation within the 90-day period. Likewise, more than one (1) year had already lapsed since issuance of the Conversion Order in 1975. At any rate, private

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[32] 527 Phil. 167 (2006); G.R. Nos. 141593-94, 12 July 2006 [Per J. Chico-Nazario].

[33] *Id.*

[34] *Spouses Villorente v. Aplaya Laiya Corp.*, 494 Phil. 473 (2005); G.R. No. 145013, 31 March 2005 [Per J. Callejo, Sr.].

[35] Section 46. *Filing of petition* – Any person may file a petition to revoke, and the landowner may file a petition to withdraw, the Conversion Order before the approving authority within ninety (90) days from discovery of facts warranting revocation or withdrawal, but not more than one (1) year from issuance of the Conversion Order. When the petition alleges any of the grounds in the enumeration in the next section, the filing period shall be within ninety (90) days from discovery of such facts but not beyond the development period stipulated in the Conversion Order. Within the DAR, only the Secretary may resolve petitions that question the jurisdiction of the recommending body or approving authority.

respondents cannot assert that they belatedly discovered the facts to warrant revocation only in 2004. Since private respondents claimed to be the legitimate tenants who have long been occupying the subject property,[36] they cannot simply feign ignorance of the facts and circumstances surrounding the subject property just for the purpose of circumventing the 90-day prescriptive period.

In this case, it is undisputed that private respondents or their predecessors-in-interest failed to question the Conversion Order immediately or soon after its issuance. Aside from the petition for revocation filed only on 15 December 2004, they did not avail of any remedy to assail the Conversion Order. Applying *Berboso,* the Conversion Order has long become final and executory and thus, can no longer be questioned, modified, or reversed. Considering it took them almost thirty (30) years to assail said order, private respondents are barred by estoppel from seeking its revocation.

CAT Realty complied with the conditions under the Conversion Order

Even assuming that private respondents may still question the conversion order, CAT Realty has already sufficiently complied with the conditions stated therein. Hence, there was no valid cause for its revocation.

To reiterate, the Conversion Order was issued pursuant to RA 3844, as amended by RA 6389. Prior to its amendment, Section 36(1) of R.A. No. 3844 originally specified a period for conversion by the landholder:

> SEC. 36. *Possession of Landholding; Exceptions.* — Notwithstanding any agreement as to the period or future surrender, of the land, an agricultural lessee shall continue in the enjoyment and possession of his landholding except when his dispossession has been authorized by the Court in a judgment that is final and executory if after due hearing it is shown that:
>
> (1) The agricultural lessor-owner or a member of his immediate family will personally cultivate the landholding or will convert the landholding, if suitably located, into residential, factory, hospital or school site or other useful non-agricultural purposes: Provided; That the agricultural lessee shall be entitled to disturbance compensation equivalent to five years rental on his landholding in addition to his rights under Sections twenty-five and thirty-four, except when the land owned and leased by the agricultural lessor, is not more than five hectares, in which case instead of disturbance compensation the lessee may be entitled to an

[36] *Rollo,* p. 234.

> advanced notice of at least one agricultural year before ejectment proceedings are filed against him: **Provided, further, That should the landholder not cultivate the land himself for three years or fail to substantially carry out such conversion within one year after the dispossession of the tenant, it shall be presumed that he acted in bad faith and the tenant shall have the right to demand possession of the land and recover damages for any loss incurred by him because of said dispossessions.** (Emphasis supplied.)

However, the above-quoted provision of RA 3844 was later amended by RA 6389 on 10 September 1971, to read:

> SEC. 36. *Possession of Landholding; Exceptions.* — Notwithstanding any agreement as to the period or future surrender, of the land, an agricultural lessee shall continue in the enjoyment and possession of his landholding except when his dispossession has been authorized by the Court in a judgment that is final and executory if after due hearing it is shown that:
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> (1) The landholding is declared by the department head upon recommendation of the National Planning Commission to be suited for residential, commercial, industrial or some other urban purposes: Provided, That the agricultural lessee shall be entitled to disturbance compensation equivalent to five times the average of the gross harvests on his landholding during the last five preceding calendar years;

Significantly, the condition imposed on the landowner to implement the conversion of the agricultural land to non-agricultural purposes within a certain period was deleted in RA 6389. With the enactment of the amendatory law, the remedy left available to the tenant is to claim disturbance compensation.[37] The same conditions are explicitly found under the terms of the Conversion Order, to wit:

> x x x the following conditions are hereby incorporated as part of this Order:
>
> 1. That the **petitioner shall pay the bonafide tenants the disturbance compensation provided for by law**;
>
> 2. That the **bonafide tenants, occupant-tillers and/or squatters shall continuously worked on the untenanted landholdings until such time that the herein petitioner-owner shall developed and/or convert such areas to non-agricultural or agro-urban purposes**;
>
> 3. That in addition to the payment of the disturbance compensation to the bonafide tenants, the herein petitioner-owner shall likewise allocate to the said tenants including however, the occupant-tillers-squatters a homelot of not less than 300 square meters which will be sold to them at minimum

[37] *Hermoso v. Court of Appeals*, 604 Phil. 420 (2009); G.R. No. 166748, 24 April 2009 [Per J. Nachura].

> cost which homelots shall be within the residential portions of the subject property or in portions thereof which will not be affected by the urban or agro-urban development of the whole property to be determined by the petitioner-owner; and
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> 4. That the displaced tenants, occupant-tillers or squatters or their sons shall be given the priority of employment in any agro-industrial project which the petitioner, the Central Azucarera de Tarlac, may established in the land in question.[38] (Emphasis supplied.)

Thus, under the prevailing law at the time, *i.e.*, RA 6389, there was no requirement for the landowner to develop the subject property within a certain period. The only requisite under the law was payment of disturbance compensation. In this case, through the Order dated 11 October 2006, then DAR Sec. Pangandaman recognized there was indeed payment of disturbance compensation:

> Records would show that the case was filed pursuant to the provisions of Section 36 (1) of Republic Act No. 3844 as amended by Section 7 of RA 6389. Under said rule, it was explicit that the only condition that the landowner has to comply with is to pay disturbance compensation as mentioned in the Order dated 04 September 1975. Such compliance by the applicant was mentioned in the Ocular Inspection Report that a Tenant's subdivision was given to the tenants thus, applicant is deemed to have complied with the sole condition provided for in the questioned Order.
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> As to the issue raised by the Petitioners that five (5) years have lapsed, yet the landowner failed to fully develop the subject property, the same cannot be used against herein applicant since the Order itself does no mention a period within which to develop the property.[39]

The foregoing findings were never disturbed in the subsequent issuances of Sec. Pangandaman. In revoking the Conversion Order, the Secretary merely reiterated that majority of the subject property was still agricultural and that no substantial development was introduced by CAT Realty.[40] However, the Court cannot countenance the subsequent revocation because, aside from being final and executory, the conditions provided under the Conversion Order were sufficiently fulfilled by CAT Realty. Pursuant to RA 6389, the disturbance compensation was already paid to the bonafide tenants of the subject property.

Likewise, the Conversion Order itself does not specify a period for the full and complete development of the subject property. The conversion order

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[38] *Rollo*, pp. 48-49.
[39] *Id.* at 81-82.
[40] *Id.* at 135.

simply states the tenants shall be allowed to "continuously wor[k] on the untenanted landholdings until such time that the herein petitioner-owner shall develo[p] and/or convert such areas to non-agricultural or agro-urban purposes."[41] Again, even the DAR Secretary recognized there was partial development made on one-third (1/3) of the subject property.[42] Among the improvements introduced in the subject property were:

> 1. A two (2) hectare portion of the subject property has been allotted and approved by the Municipal Government of Bayambang to be the relocation of its site;
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> 2. A commercial district surrounding the new local government site is already planned;
>
> 3. The Palm Core Realty and Development, Inc. has transformed twelve (12) hectares of land into the Hands of Haven Memorial Park;
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> 4. Ground has already been broken for the construction of the Northern Plains High End Subdivision;
>
> 5. The Central Pangasinan Electric Corporation or CENPELCO has established a power plant in the property is question;
>
> 6. Petitioner also built two (2) residential subdivisions;
>
> 7. The expansion of municipal cemetery has also been set aside;
>
> 8. Petitioner also donated the site of the Bayambang Water District and the Bani Elementary School;
>
> 9. Petitioner has constructed four (4) Tenant Subdivisions.[43]

Applying the express conditions of the Conversion Order, the unfinished development of the subject property means that tenants may still continue to work on undeveloped portions of the subject property. Clearly, CAT Realty cannot be deemed as non-compliant with the conditions of the Conversion Order because the order itself, as well as the prevailing law at the time of its issuance, did not set a period within which the owner should completely develop the subject property.

The subject property cannot be subject to agrarian reform since the same was already declared suitable for non-

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41 *Id.* at 49.
42 *Id.* at 131.
43 *Id.* at 10.

agricultural use prior to the effectivity of RA 6657 on 15 June 1988

When the DAR Secretary partially revoked the Conversion Order, he likewise erred in directing the agrarian reform officer to proceed with the acquisition of the portions of the subject property that are still agriculturally viable under the CARP.

In *Hermoso v. Court of Appeals,*[44] the Court ruled that lands not devoted to agricultural activity and those that were previously converted to non-agricultural uses are outside the coverage of the CARL.[45] For lands converted prior to 15 June 1988 or the date when CARL took effect, DAR is bound by such conversion. It was therefore error to include the undeveloped portions of subject property within the coverage of the CARL.[46] Moreover, the CARL does not specify which specific government agency should have done the reclassification. To be exempt from CARP, all that is needed is one valid reclassification of the land from agricultural to non-agricultural by a duly authorized government agency before the effectivity of the CARL on 15 June 1988.[47]

Further, in *Kasamaka-Canlubang, Inc. v. Laguna Estate Development Corp.,*[48] lands already classified as commercial, industrial, or residential before 15 June 1988, are outside the coverage of the CARL. Significantly, *Kasamaka- Canlubang, Inc.* involved similar factual circumstances and antecedents to the case at bar.

In *Kasamaka-Canlubang, Inc.,* petitioner therein also sought the revocation of a conversion order issued on 04 June 1979 by Sec. Estrella. A petition for revocation was filed on 04 July 2004, or around twenty-five (25) years after conversion. Similarly, said 1979 conversion order was also partially revoked by Sec. Pangandaman on 25 September 2006. However, the partial revocation was reversed upon appeal to the Office of the President (OP). The OP likewise declared the parcels of land exempt from the coverage of CARP. Consequently, the OP reinstated Sec. Estrella's conversion order dated 04 June 1979. Thereafter, the CA affirmed the OP's ruling. Eventually, a petition under Rule 45 was filed before the Court; the Court then upheld the uniform decisions of the CA and OP in the following manner:

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[44] *Supra* at note 37.

[45] *Id.*

[46] *Natalia Realty, Inc. v. Department of Agrarian Reform,* G.R. No. 103302, 12 August 1993 [Per J. Bellosillo].

[47] *Buklod Nang Magbubukid sa Lupaing Ramos, Inc. v E. M. Ramos and Sons, Inc.*, 661 Phil. 34 (2011); G.R. Nos. 131481 & 131624, 16 March 2011 [Per J. Leonardo-De Castro].

[48] 735 Phil. 648 (2014); G.R. No. 200491, 09 June 2014 [Per J. Peralta]

> In view of the foregoing, this Court had, in multiple occasions, ruled that lands already classified as commercial, industrial or residential before the effectivity of the CARL, or June 15, 1988, are outside the coverage thereof. In *Natalia Realty, Inc. v. Department of Agrarian Reform*, for instance, we held that the DAR committed grave abuse of discretion when it placed undeveloped portions of land intended for residential use under the ambit of the CARL. Similarly, in *Pasong Bayabas Farmers Association, Inc. v. Court of Appeals*, we nullified the decision of the Department of Agrarian Reform Adjudication Board *(DARAB)* declaring the land in dispute as agricultural and, thus, within the coverage of the CARL, when the same had already been reclassified as residential by several government agencies prior to the effectivity of the law. We likewise held in *Junio v. Garilao* that properties identified as zonal areas not for agricultural use prior on June 15, 1988 are exempted from CARL coverage, even without confirmation or clearance from the DAR.[49]

Applying these doctrines, it cannot be denied that the subject property is likewise beyond the coverage of the CARL. The subject property has long been declared suitable for residential, commercial, industrial, and other urban purposes under the Conversion Order dated 04 September 1975. The subject property was converted long before 15 June 1988, or before effectivity of the CARL. Furthermore, the Conversion Order had already attained finality and its conditions were duly complied with. Thus, the DAR is bound by such conversion.[50] It bears repeating that once final and executory, a conversion order can no longer be questioned.[51]

WHEREFORE, the petition is **GRANTED.** The assailed Decision dated 19 June 2012 and Resolution dated 31 July 2013 of the Court of Appeals in CA-G.R. SP No. 107977 are **REVERSED** and **SET ASIDE.** The Order dated 04 September 1975 of the Secretary of the Department of Agrarian Reform is **REINSTATED.**

SO ORDERED.

RODIL V. ZALAMEDA
Associate Justice

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[49] *Id.*
[50] *Supra* at note 46.
[51] *Supra* at note 32.

WE CONCUR:

ALEXANDER G. GESMUNDO
Chief Justice

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

ROSMARI D. CARANDANG
Associate Justice

SAMUEL H. GAERLAN
Associate Justice

CERTIFICATION

Pursuant to the Section 13, Article VIII of the Constitution, 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.

ALEXANDER G. GESMUNDO
Chief Justice