



Republic of the Philippines
DEPARTMENT of AGRARIAN REFORM

MEMORANDUM CIRCULAR NO. 12
Series of 2003

TO : ALL REGIONAL DIRECTORS
ALL PROVINCIAL AGRARIAN REFORM OFFICERS
ALL MUNICIPAL AGRARIAN REFORM OFFICERS
ALL OTHERS CONCERNED

SUBJECT : DISSEMINATION OF LBP LAND VALUATION GUIDELINE
NO. 97-004 AND 97-005, SERIES OF 1997, ENTITLED
"VALUATION OF ROADS AND BRIDGES"

The attached LBP Land Valuation Guideline Nos. 97-004 and 97-005, Series of 1997 entitled, "Valuation of Roads and Bridges" are hereby disseminated to inform DAR field offices regarding the policy on the valuation of roads and bridges as improvements in lands covered by the Comprehensive Agrarian Reform Program (CARP).

These LBP guidelines cover the valuation of roads and bridges as delineated in the Approved Subdivision/Segregation Survey Plan (ASP) and introduced by the landowner. Likewise, these stipulate the computation of the values of roads and bridges depending on their classification or condition.

Please be guided accordingly.

Diliman, Quezon City, August 12, 2003.


ROBERTO M. PAGDANGANAN
Secretary

DAR GUIDELINES DRAFTING COMMITTEE (GDC) POLICY WORKSHOP

Oasis Hotel, Angeles City

April 23 – 25, 2003

SUMMARY OF DISCUSSION: Proposed Memorandum Circular entitled, "Dissemination of Land Bank of the Philippines (LBP) Land Valuation Guidelines No. 97-004 and 97-005, Series of 1997 on "Valuation of Roads and Bridges"

Issue	Discussion	Agreement
<p>1. How do the proposed guidelines relate to other guidelines on valuation of improvements like infrastructures and legal easement?</p>	<ul style="list-style-type: none"> ➤ It was explained that the proposed guidelines are totally different from other issuances on valuation of improvements because they do not use the appraisal method of valuation, and that the guidelines are specific to roads and bridges. ➤ The specific valuation for legal easement is still under study/formulation. 	<ul style="list-style-type: none"> ➤ Since the proposed guidelines are designed for information dissemination/reiteration only, Dir. Fabia moved for the approval of the said proposed guidelines and it was duly seconded.
<p>2. On line 19, the phrase "are hereby provided" is ironic to the word "Dissemination" in the title.</p>	<ul style="list-style-type: none"> ➤ It was pointed out that the said phrase is incongruous to the title. The proposed M.C. intends to disseminate information only and it does not provide rules. 	<ul style="list-style-type: none"> ➤ The proposed MC shall be revised before it is submitted to USec Arianza for eventual endorsement to the Secretary for his approval and signature.

LAND VALUATION GUIDELINE NO. 97-004
Series of 1997

SUBJECT: VALUATION OF ROADS AND BRIDGES

In accordance with Item II.E of DAR Administrative Order (AO) No. 6, Series of 1992, as amended by DAR AO No. 11, Series of 1994, valuation of improvements (non-crop) shall be undertaken by Land Bank. Further, Item No. 12 of A.O. No. 11 provides that the landowner shall not be compensated or paid for improvements introduced by the Government, farmer-beneficiaries or other third parties.

Buildings, machinery and equipment and other land improvements are valued using the "Cost Approach", with due consideration given to the current market prices of materials and labor for the construction of the aforesaid improvements and allowance for depreciation.

I. COVERAGE

This Guideline is hereby issued to address specifically the valuation of roads and bridges, as delineated in the Approved Subdivision/Segregation Survey Plan (ASP).

II. DEFINITION OF TERMS

1. Public road – shall refer to a passageway or easement, whether classified as national or local, that traverses the estate/plantation and links it to the adjoining towns or cities. This road usually serves as an access for transporting commerce, people and farm products.
2. Plantation road – shall refer to a passageway (primary or secondary feeder road) that connects the remote areas of the estate with its main production center. This usually serves as an access for transporting agricultural inputs/outputs to or from the various production sites within the plantation.
3. Bridges – shall refer to a structure built over a waterway (such as streams, creeks, brooks, canals, etc.), wide gully, etc. which may be made of either wood, concrete and/or steel, to provide a way across for vehicles or pedestrians.

III. VALUATION PROCEDURES

Plantation roads and bridges introduced by the Government.

Roads and bridges constructed by the national or local government on landholdings acquired through expropriation or on lands donated by the landowner to the Government, whether or not segregated from the owner's title, are not eligible for coverage/acquisition.

Plantation roads and bridges introduced by the Land Owner (LO).

Roads and bridges originally constructed by the landowner, although considered as "public" passageways because of permanent and continuous use by vehicles or pedestrians, shall be compensated, provided that there are no documents to show that said passageway has been expropriated by the Government or donated by the LO.

- B.1 Valuation of plantation roads delineated in the ASP and paved with concrete, asphalt and/or macadam shall be equivalent to the sum of the value of land (VL) occupied by the road and its shoulders plus the value of the road pavement/improvement (VR).

Expressed in equation form:

$$\text{Value of Plantation Road} = \text{VL} + \text{VR}$$

Where:

VL = Value of land occupied by the road and shoulders

VR = Value of the road pavement/improvement

- B.2 Valuation of roads delineated in the ASP and whose construction involved clearing, leveling/grading, earth-moving and filling of earth/coarse aggregate materials shall be equivalent to the sum of the value of land (VL) occupied by the road and its shoulders.
- B.3 Value of Land (VL) shall be computed by using $\text{MVTD} \times 2$ based on the unit market value (UMV) of the land most proximate/adjacent to it. If the plantation road traverses different land uses, the land with the lowest UMV productivity classification shall be used.

However, in no case shall VL using the formula $MVTD \times 2$ exceed the lowest computed value of a productive land within the estate.

- B.4 If a plantation road deteriorates due to normal wear-and-tear or is partly or severely damaged by floods, erosion or any other natural calamities, the value of the road (VR) is determined as follows:

a. Roads subject to normal wear-and-tear

The value of roads which are subject to normal wear-and-tear shall be computed using the "Cost Approach".

Expressed in equation form:

$$\text{Value of Road (VR)} = \text{RCN} \times \frac{\text{ERUL}}{\text{EULN}}$$

Where:

RCN = Reproduction Cost, New

ERUL = Estimated Remaining Useful life ¹

EULN = Estimated Useful Life, New ¹

If a road is subjected to regular repair and maintenance, its estimated remaining useful life (ERUL) may be enhanced and may even approximate its original economic life. Hence, a 15-year old road which has an original estimated useful life (i.e., EULN) of 20 years might still have 10 years of remaining useful life (ERUL), if properly maintained. The appraiser shall therefore exercise extreme objectivity in assessing the ERUL of roads covered by regular maintenance programs.

RCN may be determined by the Quantity Survey Method, i.e., itemized reconstruction of the bill of materials, or by any other method appropriate to determine its actual original value.

To ensure uniform implementation of this Guideline, a table showing the EULN of different types of roads and bridges is attached as Annex "A".

¹ In number of years

b. Roads damaged by floods or erosion

Valuation of roads, which are partly or severely damaged due to floods or erosion or any other natural calamities, shall be determined by the following formula:

$$\text{Value of Road (VR)} = (\text{RCN} - \text{RCNDP}) \times \frac{\text{ERUL}}{\text{EULN}}$$

Where:

RCN = Reproduction Cost, New

RCNDP = RCN of Damaged/Eroded Portion

ERUL = Estimated Remaining Useful Life

EULN = Estimated Useful Life, New

B.5 Trial routes, pathways or secondary roads, which involve only clearing and partial leveling of the area (i.e., no grading, earth-moving and filling of earth or coarse aggregate materials), that traverse productive land/s within the estate shall be valued as if the areas concerned are "deemed part" of the plantation i.e., valuation shall follow that of the land use/s traversed.

B.6 Bridges which are made of either concrete, steel, wood or combination of any of these materials shall be valued using the formula defined in Item III B.4.a. Bridges which are partially damaged shall also be valued in accordance with this Guideline. The value (MVTD x 2) of the land occupied by the approaches of the bridge shall have to be added to the value of the bridge structure. The final value of the bridge is therefore equivalent to:

$$\text{Value of Bridge} = \text{VL} + \text{VB}$$

Where:

VL = value of land occupied by the bridge approaches

VB = value of the bridge structure

IV. REITERATION

The willingness of the seller (landowner) and buyer (farmers' group or farmers' cooperative) shall be necessary for the acquisition of roads and bridges. A farmers' collective agreement or Board Resolution executed by the farmers' group or cooperative, as the case may be, embodying therein their/its willingness to acquire the roads and bridges, shall be required.

V. EFFECTIVITY

This Guideline shall take effect immediately. All orders, circulars, rules and regulations inconsistent herewith are hereby revoke, amended, or modified as the case may be.

(signed) JESLI A. LAPUS
President & CEO

October 9, 1997

ESTIMATED USEFUL LIFE, NEW (EULN) OF ROADS AND BRIDGES

	<u>Years</u>
A. Plantation Roads	
Concrete	20
Asphalt	20
Macadam	15
Cleared/Leveled/Graded And Filled with Earth Coarse Aggregates	n.a. *
B. Bridges	
Concrete and Steel or Masonry – Large	100
Concrete and Steel or Masonry – Small	75
Steel – Heavy	50
Steel – Light	40

Source : Data supplied by the LBP's Credit and Central Liability Department (CCLD).

* EULN not applicable to this type of road.

**SUBJECT: LAND VALUATION GUIDELINE NO. 97-004, SERIES OF 1997, ON
VALUATION OF ROAD AND BRIDGES**

To ensure uniformity in the interpretation of Item II.B.B.3 of above subject, the following amendment is hereby issued:

FROM

Value of Land (VL) shall be computed by using $MVTD \times 2$ based on the unit market value (UMV) of the land most proximate/adjacent to it. If the plantation road traverses different land uses, the land with lowest UMV productivity classification shall be used.

However, in no case shall VL using the formula $MVTD \times 2$ exceed the lowest computed value of a productive land within the estate.

TO

Value of Land (VL) shall be computed by using $MVTD \times 2$ based on the unit market value (UMV) of the land most proximate/adjacent to it. If the plantation road traverses different land uses, the land with the lowest UMV classification shall be used.

However, in no case shall VL using the formula $MVTD \times 2$ exceed the lowest computed value of land traversed by the plantation road within the estate.


This Order takes effect immediately.

(signed) JESUS F. DIAZ
Acting President



Republic of the Philippines
DEPARTMENT of AGRARIAN REFORM

02 June 2003

 Department of Agrarian Reform
Office of the Secretary




In replying, please cite this number:
C3060212 X/O



MEMORANDUM

FOR : THE SECRETARY

FROM : **RICARDO S. ARLANZA** 
Undersecretary, Policy, Planning and
Legal Affairs Office and
Chair, Guidelines Drafting Committee (GDC)

SUBJECT : Endorsement of the Proposed Guidelines Titled,
"Dissemination of LBP Land Valuation Guideline Nos.
97-004 and 97-005, Series of 1997, Entitled "Valuation of
Roads and Bridges"

I. ACTION REQUESTED

For the consideration of the DAR Executive Committee (ExCom) and eventually, for signature of the Secretary of the attached Memorandum Circular.

II. BACKGROUND

1. The proposed guidelines was deliberated upon at the GDC Policy Workshop held on April 23-25, 2003, at Oasis Hotel, Angeles City.
2. Since there was not much substantive comments on the proposed policy issuance, it was agreed that the MC shall be submitted to the Undersecretary and GDC Chair for endorsement to the Secretary for his approval and signature.

III. ATTACHMENTS

1. Final draft of the proposed guidelines titled, "Dissemination of LBP Land Valuation Guideline Nos. 97-004 and 07-005, Series of 1997, Titled "Valuation of Roads and Bridges";
2. Summary of Discussion (matrix form) on the said guidelines during the GDC Policy Workshop, 23-25 April 2003, at Oasis Hotel; and
3. LBP-LVG Nos. 97-004 and 97-005, Series of 1997 on "Valuation of Roads and Bridges."

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