(18)

Administrative Order No. 17
Series of 1989

SUBJECT: Rules and Regulations Amending Valuation of Lands Voluntarily Offered Pursuant to EO 229 and RA 6657 and Those Compulsorily Acquired Pursuant to RA 6657

In order to strengthen the land valuation formula used by the Department of Agrarian Reform, hereunder are the rules and procedures to govern valuation of lands subject of acquisition whether under voluntary offer to sell (VOS) or compulsory acquisition.

I. Definition of Terms/Applicability of Factors

A. Comparable Sales (CS) - This factor shall refer to the AVERAGE of three (3) comparable sales transactions, the criteria of which are as follows:

1. Sale transactions shall be in the same municipality. In the absence thereof, sales transactions within the province may be considered.

2. One transaction must involve land whose area is at least ten percent (10%) of the area being offered or acquired but in no case should it be less than one (1) hectare. The two others should involve land whose area is at least one (1) hectare each;

3. The land subject of acquisition as well as those subject of comparable sales should be similar in topography, land use, i.e., planted to the same crop. Further, in case of permanent crops, the subject properties should be more or less comparable in terms of their stages of productivity and plant density; and

4. The comparable sales should have occurred between the periods 1985 and June 15, 1988.

B. Cost of Acquisition (CA) - Cost of Acquisition shall be deemed relevant when the property subject of acquisition was acquired thru purchase or exchange between the periods 1985 and June 15, 1988 and the condition of said property is still substantially similar from the time of purchase or exchange to the time of acquisition.

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1. Expressed in equation form, the formula for computing comparable sales (CS) when CA is applicable shall be:

$$CS = \frac{T1 + T2 + T3}{3}$$

Provided, that, whenever the value of CS exceeds the CA, the latter (CA) shall be used.

Where:

T1, T2 and T3 = three comparable sales transactions; and
CA = cost of acquisition.

2. In case 3 comparable sales transactions could not be obtained but CA is relevant, CA shall be used in lieu of the value of CS.

C. <u>Market Value Based on Mortoage (MVM)</u> - MVM shall be obtained by dividing the loan/mortgage value by 70%. Whenever the mortgage/loan value cannot be determined or ascertained from the annotations on the Certificate of Title or other relevant documents, a sworn certification shall be obtained from the mortgagee bank as to the mortgage/loan value of the property subject of acquisition.

1. In case there are three comparable sales transactions and MVM is also applicable, the MVM shall be used to take the place of the highest comparable sales transaction.

Expressed in equation form the formula for computing CS in this case shall be:

$$\frac{T1 + T2 + MVM}{3}$$

Provided, that, whenever the value of CS exceeds the CA, the latter (CA) shall be used.

Where T1, T2 = two comparable sales transactions with the lowest values; and

MVM = Market Value based on Mortgage

2. In case MVM is applicable and there is no CS the MVM shall be compared with the CA, if relevant, and the lower of the two shall be used.

3. In case MVM is applicable and there is no CS and CA is not relevant, MVM shall be considered in lieu of the CS and CA.

D. Capitalized Net Income (CNI) - This shall refer to the difference between the gross sales and total cost of operations capitalized at 20%.

Expressed in equation form, the formula shall be:

$$CNI = \frac{[\ (AGP) \times (SP) - (CO)\ ]}{.20}$$

Where:

CNI = Capitalized net income;

AGP = One year's Average gross production computed in accordance with Item D (4-6);

SP = Average selling price for the last 12 months from the date of the offer or notice of coverage;

CP = Cost of operations (ex-farm); and

.20 = Capitalized rate to be applied to all types of lands.

Whenever the cost of operations could not be obtained or could not be verified, an assumed rate of 20% net income factor shall be used.

Expressed in equation form, the formula shall be:

$$CNI = \frac{AGP \times SP \times .20}{.20}$$

Where .20 in the numerator pertains to the assumed net income rate.

1. Production data, whenever applicable shall be obtained from government/private entities. Such entities shall include, but not limited to the Department of Agriculture (DA), the Sugar Regulatory Commission (SRA), and the Philippine Coconut Authority (PCA). These production data shall be used as the ceiling/cap in determining income derived from the land subject of acquisition.

2. The landowner shall submit a sworn statement of net income derived from the land subject of acquisition. This will include, among others, total production, cost of operations, amount of sales (ex-farm) and such other data as may be required. These data shall be validated/verified by a committee composed of Department of Agrarian Reform (DAR) and Land Bank of the Philippines (LBP) field personnel/technicians. The actual tenant/farmworkers of the subject property, or in the absence thereof, the tenants/farmworkers of the adjacent property will be the primary source of information for purposes of verification.

3. Total income shall be computed from all crops actually produced in the covered land. In case of multi-cropping, income from said practice will be considered if the multi-cropping has been continuously practiced for three (3) consecutive crop cycles immediately preceding the acquisition. One crop cycle shall be understood to mean the period beginning from the time the crop/commodity is first planted or raised until the time the crop commercially bears fruits or produce are harvested.

4. At least one normal crop cycle shall be used to get AGP for crops whose cycle is more than one (1) year. For crops whose production cycle is less than one (1) year, two (2) normal crop cycles will be required.

5. In case the crop cycle is less than one year, the following rules shall apply:

   a. Total production (TP) of all completed crop cycles within the year shall be considered.

   b. In case there are more than one cropping cycles within the year but only one is completed, the formula shall be:

$$AGP = \frac{TP1 + TP2}{\text{No. of months in two complete cycles}} \times 12$$

Where: TP1 = Total actual production for the first crop cycle; and
TP2 = Total actual production for the second crop cycle

6. In case the crop cycle is more than one year, the formula shall be:

$$\frac{TP}{\text{No. of months in one complete cycle}} \times 12$$

7. For purposes of determining AGP in money terms, the average prices obtained from the Bureau of Agricultural Statistics (BAS), within the last twelve (12) months from the date of acquisition, shall be used.

E. Market Value per Tax Declaration (MV) – This shall refer to the market value per tax declaration (TD) issued before August 29, 1987 (effectivity of EO 229). The most recent tax assessment made prior to August 29, 1987 shall be considered. Adjustment for inflation using the Consumers' Price Index (CPI) reckoned from the period above-stated up to the time of actual coverage shall be made.

1. In case the area as appearing in the TD differs from the findings per actual ocular inspection (OCI), the latter (OCI) shall prevail.

2. In case the land classification/land use per OCI differs from those reflected in the TD and therefore the unit market value does not appear thereon, the result of the actual OCI shall prevail and the unit market value shall be obtained from the Municipal assessor's office concerned.

F. Landowner's Declared Value (DV) – This shall refer to the amount indicated in the Landowner's Offer or the Listasaka declaration, whichever is lower, in case of VOS. In case of Compulsory Acquisition, this shall refer to the amount indicated in the Listasaka.

II. Land Valuation Formula for VOS Received Before June 15, 1988 and Valued by the Municipal Agrarian Reform Officer (MARO) as of October 14, 1988.

A. The valuation formula to be used shall be:

$$LV = (CS \times .3) + (CNI \times .4) + (MV \times .3)$$

Where:

LV = Land Value;
CS = Comparable Sales;
CNI = Capitalized Net Income; and
MV = Market value per tax declaration

B. If all factors for valuation are present, the land value shall be computed in accordance with the above formula.

C. Where CS could not be obtained and MVM or CA are not applicable, the formula to be used shall be:

$$LV = (CNI \times .55) + (MV \times .45)$$

D. In case CNI and CS are not available, land valuation shall be based on the MV multiplied by two (2) i.e., (MVx2).

E. **IN ALL THE ABOVE, THE COMPUTED VALUE USING THE FORMULA OR THE DV, WHICHEVER IS LOWER, SHALL BE ADOPTED AS THE LAND VALUE.**

III. **Land Valuation Formula for all the VOS** received as of December 31, 1989 and for lands acquired under Compulsory Acquisition with Notices of Coverage as of December 31, 1989.

A. The valuation formula to be used shall be:

$$LV = \frac{CS + MV + DV}{3}$$

Provided, that, DV shall not exceed the sum of CS and MV.

B. Where there is no CS or CA is not applicable, CNI shall be used in lieu of CS. The valuation formula shall then be:

$$LV = (CNI \times .4) + (MV \times .3) + (DV \times .3)$$

Provided, that, DV shall not exceed the sum of CNI and MV.

C. In the absence of DV, CNI shall be used in lieu of DV. The valuation formula shall then be:

$$LV = (CS \times .3) + (CNI \times .4) + (MV \times .3)$$

D. If CS and DV are both not available, the formula shall be:

LV = (CNI x .55) + (MV x .45)

E. If no factor is present except MV, land valuation shall be computed based on MV multiplied by two (2) i.e., (MVx2).

IV. **Land valuation for VOS received and for lands under Compulsory Acquisition** with notices of coverage after December 31, 1989 shall be computed in accordance with the formula under II above.

V. **Improvements** – Valuation of improvements shall be undertaken by the LBP Appraisal Group. However, the landowner shall not be compensated or paid for improvements made or contributed by the government and/or the farmer beneficiaries.

VI. **Repealing Clause** – Administrative Order No. 6, Series of 1989 is hereby repealed.

VII. **Effectivity** – This Administrative Order shall take effect ten (10) days after publication.

Miriam Defensor Santiago

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Secretary