Republic of the Philippines
Supreme Court
Manila

EN BANC

QUEZON CITY GOVERNMENT represented by HONORABLE HERBERT M. BAUTISTA, in his capacity as CITY MAYOR OF QUEZON CITY, and TOMASITO L. CRUZ, in his capacity as the CITY PLANNING AND DEVELOPMENT OFFICER AND ZONING OFFICIAL OF QUEZON CITY, Petitioners, -versus- **MANILA SEEDLING BANK FOUNDATION, INC., represented by its President and Chairman, LUCITO M. BERTOL,**[1] Respondent.	**G.R. No. 208788** Present: GESMUNDO, *C.J.*, LEONEN, CAGUIOA,* HERNANDO, LAZARO-JAVIER, INTING, ZALAMEDA, LOPEZ, M., GAERLAN, ROSARIO, LOPEZ, J., DIMAAMPAO, MARQUEZ, KHO, JR., and SINGH, *JJ.*
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MANILA SEEDLING BANK FOUNDATION, INC., represented by its President and Chairman, LEONARDO D. LIGERALDE,[2] Petitioner,	**G.R. No. 228284**

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* On official leave.

1 Per the Verification/Certification attached to the Petition (For Prohibition with Application for Preliminary Mandatory Injunction and for a Temporary Restraining Order) dated February 20, 2012, *rollo* (G.R. No. 208788), pp. 117–118.

2 Per the Verification and Affidavit of Non-Forum Shopping attached to the Petition for Review on *Certiorari* dated November 25, 2016, *rollo* (G.R. No. 228284), pp. 29–31.

-versus-

QUEZON CITY GOVERNMENT, represented by HON. HERBERT M. BAUTISTA, in his capacity as CITY MAYOR OF QUEZON CITY, GEN. ELMO SAN DIEGO, in his capacity as Head, Department of Public Order and Safety (DPOS), ROGER CUARESMA, and CAMERAN, M.J., and other members of the DPOS,

Respondents.

Promulgated:

July 23, 2024

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DECISION

HERNANDO, *J.*:

This resolves the consolidated Petitions for Review on *Certiorari* filed by the local government of Quezon City (the *City*) (G.R. No. 208788)[3] (First Case); and by the Manila Seedling Bank Foundation, Inc. (the *Foundation*) (G.R. No. 228284)[4] (Second Case).

The First Case challenges the Decision[5] and Resolution[6] of Branch 96, Regional Trial Court, Quezon City (RTC) in Special Civil Action (SCA) No. Q-12-70830, which granted the Foundation's petition for prohibition, and issued a permanent writ of injunction, commanding the City and its representatives to permanently desist from enforcing or implementing the questioned zoning ordinance at the property of the Foundation located at corner Quezon Avenue and E. De los Santos Avenue, Quezon City, and to issue the locational clearance and business permit in favor of the Foundation.

The Second Case seeks to reverse and set aside the Decision[7] and the

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[3] *Rollo* (G.R. No. 208788), pp. 51–83.

[4] *Rollo* (G.R. No. 228284), pp. 3–38.

[5] *Rollo* (G.R. No. 208788), pp. 84–96. The June 18, 2013 Decision in Special Civil Action No. Q-12-70830 was penned by Presiding Judge Afable E. Cajigal of Branch 96, Regional Trial Court, Quezon City.

[6] *Id.* at 97–100. The August 13, 2013 Resolution in Special Civil Action No. Q-12-70830 was penned by Presiding Judge Afable E. Cajigal of Branch 96, Regional Trial Court, Quezon City.

[7] *Rollo* (G.R. No. 228284), pp. 40–57. The June 16, 2016 Decision in CA-G.R. SP No. 139984 was penned by Associate Justice Florito S. Macalino and concurred in by Associate Justices Mariflor P. Punzalan Castillo and Pedro B. Corales of the Former Special Tenth Division, Court of Appeals, Manila.

Resolution[8] of the Court of Appeals (CA) in CA-G.R. SP No. 139984, which affirmed the Order[9] of the RTC of Quezon City, Branch 216, in SCA No. Q-12-71638. The RTC dismissed the Foundation's petition for prohibition which it filed against the City on the ground of the Foundation's lack of capacity to sue.

The Antecedents of the First Case

On October 24, 1968, Proclamation No. 481[10] was issued by then President Ferdinand E. Marcos, setting aside a 120-hectare portion of land in Quezon City owned by the National Housing Authority (NHA), as a reserved property for the site of the National Government Center (NGC).[11] Then, on September 19, 1977, Proclamation No. 1670[12] was issued which removed a seven-hectare portion from the coverage of the NGC, and gave the Foundation usufructuary rights over this segregated portion for use in its operation and projects, subject to private rights if any there be, and to future survey (subject property).

Since then, the Foundation enjoyed usufructuary rights over, and remained in possession of, the subject property. It established an Environmental Center which served as a plant nursery for the government's reforestation projects, and leased a portion of the subject property for garden centers, pet shops, and cut flower centers.[13] It also offered various services such as tree pruning, tree balling and relocation, disease treatment, tree farming, greenhouse construction and maintenance, and plant clinics; and provided seminars and workshops on reforestation, environmental preservation, waste disposal management, composting and others.[14]

In 2000, the Quezon City Council enacted Ordinance No. SP-918, series of 2000, otherwise known as the Quezon City Zoning Ordinance. This was amended in 2003 by Ordinance No. SP-1369, series of 2003, or the Amended Quezon City Zoning Ordinance (Zoning Ordinance).[15]

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8 *Id.* at 56–57. The November 17, 2016 Resolution was penned by Associate Justice Florito S. Macalino and concurred in by Associate Justices Mariflor P. Punzalan Castillo and Pedro B. Corales of the Former Special Tenth Division, Court of Appeals, Manila.

9 *Id.* at 52–54. The December 22, 2014 Order in Special Civil Case No. Q-12-71638 was penned by Presiding Judge Alfonso C. Ruiz II of Branch 216, Regional Trial Court, Quezon City.

10 Proclamation No. 481 (1968), Excluding from the Operation of Proclamation No. 42, Dated July 5, 1954, which Established the Quezon Memorial Park, Situated at Diliman, Quezon City, Certain Parcels of the Land Embraced Therein and Reserving The Same For National Government Center Site Purposes.

11 *See National Housing Authority v. Court of Appeals*, 495 Phil. 693 (2005) [Per J. Carpio, First Division].

12 Proclamation No. 1670 (1977), Excluding from the Operation of Proclamation No. 481, dated October 24, 1968, which Established the National Government Center Site, Situated at Diliman, Quezon City, Certain Parcels of Land Embraced therein, and Reserving the Same for the Purposes of The Manila Seedling Bank Foundation.

13 *Rollo* (G.R. No. 208788), pp. 103–104.

14 *Id.* at 104.

15 *Id.*

As per Article IV, Section 2 of the said Ordinance, the subject property was classified into a Metropolitan Commercial Zone,[16] while the 100-square meter (sqm) area, which is a part of the seven-hectare land, and where the Foundation's administrative office is located, was classified as Institutional Zone.[17] In addition, Art. IX, Sec. 6 of the said Ordinance stated that "[a]ny person/firm applying for a business and licenses permit shall secure a locational clearance from the Zoning Official for conforming uses and a certificate of non-conformance for non-conforming uses prior to the issuance of a business and license permit."[18]

On March 20, 2008, pursuant to the Zoning Ordinance, the City Planning and Development Office (CPDO) issued in favor of the Foundation a Certificate of Non-Conformance No. 008-N090 for the latter's business permit application[19] which contained the following conditions:

> 01. That the certificate shall be granted on an annual basis effective year 2001 and shall be renewed every year until 2011[;]
>
> 02. That the pertinent provisions of the [Zoning Ordinance] to Non-Conforming Uses and Buildings (Sec. 1[,] Art. VIII, Mitigating Devices) cited below shall be complied with:
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> . . . .
>
> (i) The owner of a non-conforming use shall program the phase-out and relocation of the non-conforming use within ten (10) years from the effectivity of this ordinance.
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> . . . .
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> 03. That the proponent, if so required, shall submit an Environmental Clearance Certificate (ECC) from the Department of Environment and Natural Resources (DENR) and/or Clearance from the Laguna Lake Development Authority (LLDA)[;]
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> 04. That no advertising and business sign to be displayed or put for public view shall be extended beyond the property line of the proponent[;]
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> 05. That all conditions stipulated herein form part of this decision and are subject to monitoring and actual verification[; and]
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> 06. That any violation of these conditions will mean the suspension or cancellation/revocation of this Certificate and legally and criminally punishable under Art. X, Sec. 1 of the [Zoning Ordinance] and all other existing laws.[20]

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[16] *Id.* at 103.
[17] *Id.* at 104.
[18] *Id.*
[19] *Id.*
[20] *Id.* at 104–106.

The said Certificate of Non-Conformance had been annually renewed until December 2011. Correspondingly, the City issued the Foundation business permits for those years until 2011.[21]

However, when the Foundation applied for the renewal of its locational clearance with the CPDO on January 5, 2012, the said office denied and refused to renew the Foundation's locational clearance for non-conforming building or use; consequently, the Foundation failed to renew its business permit in 2012.[22]

On January 31, 2012, the Foundation sought reconsideration of the denial or refusal to renew its locational clearance.[23] However, the City did not respond which prompted the Foundation to file on February 23, 2012, a Petition (For Prohibition with Application for Preliminary Mandatory Injunction and Prohibitory Injunction and for a Temporary Restraining Order [TRO])[24] before Branch 96, RTC, Quezon City, which was docketed as SCA No. Q-12-70830 against the City, represented by then Mayor Herbert M. Bautista (Mayor Bautista) and Tomasito L. Cruz, then CPDO and Zoning Official.

On January 4, 2013, the trial court granted the Foundation's application for a TRO;[25] and on March 8, 2013, it also granted the preliminary prohibitory injunction and preliminary mandatory injunction.[26] On April 25, 2013, motions for reconsideration and to dismiss were filed by the City.[27] However, on June 3, 2013, the trial court denied the City's motions.[28] From such a denial, the City again moved for reconsideration on July 4, 2013, and also filed an Urgent Motion for Inhibition on July 8, 2013.[29]

Ruling of the Regional Trial Court

On June 18, 2013, the trial court rendered its Decision[30] in favor of the Foundation, the dispositive portion of which reads:

> **WHEREFORE**, in light of the foregoing, this Court finds the petition meritorious hence, the same is hereby given due course. The writ of prohibition is hereby issued commanding the respondents to permanently desist from enforcing or implementing the Quezon City Zoning Ordinance, as Amended, at the property under petitioner's usufruct located at the corner of Quezon Avenue and E. de los Santos Avenue, Quezon City.
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> Further, the public respondents are hereby directed:

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21 *Id.* at 106.
22 *Id.*
23 *Id.*
24 *Id.* at 102–118.
25 *Id.* at 162–166.
26 *Id.* at 190–194.
27 *Id.* at 55.
28 *Id.*
29 *Id.*
30 *Id.* at 84–96.

1. to issue a Locational Clearance in favour of the petitioner; and

2. to issue a Business Permit in favour of the petitioner even without any Locational Clearance.

Moreover, the preliminary injunction issued by the court is hereby made permanent.

No pronouncement as to costs.

SO ORDERED.[31] (Emphasis in the original)

The trial court ruled that by virtue of Proclamation No. 1670, a contract between the Foundation and the national government was created. It found that the application of the Zoning Ordinance on the Foundation is not reasonably necessary to accomplish its purpose and is oppressive to private rights. It also ruled that the Foundation's business is not offensive to health and safety, morals, peace, good order, comfort, and convenience of the City and its inhabitants, and the protection of their property. Hence, to force the Foundation to change its use of the subject property to those consistent with the Zoning Ordinance clearly constitutes an arbitrary intrusion of private property and a violation of the due process clause.[32]

In addition, the trial court ruled that the Zoning Ordinance, by reclassifying the usufruct area into a use that is different from those to which it was devoted as per Proclamation No. 1670, is considered *ultra vires* as it is beyond the competence of the local legislative body to enact or amend a national law, i.e., Proclamation No. 1670.[33]

The City filed a Motion for Reconsideration with Reiteration of the Previous Motion for Inhibition.[34] However, the trial court issued a Resolution[35] dated July 24, 2013, denying the City's motion for inhibition, as well as the assailed Resolution[36] dated August 12, 2013, denying the City's motion for reconsideration on its Decision dated June 18, 2013.

Hence, a Petition for Review on *Certiorari*[37] under Rule 45 dated October 9, 2013 was directly filed by the City before this Court, arguing that the Foundation has no legal right to be protected by an injunction since the granting of a license or permit by a city government is a mere privilege.[38] Moreover, the City avers that the Foundation's petition has been rendered moot as there is

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31 *Id.* at 96.
32 *Id.* at 88–96.
33 *Id.* at 90–95.
34 *Id.* at 55.
35 *Id.*
36 *Id.* at 97–100. The August 13, 2013 Resolution in Special Civil Action No. Q-12-70830 was penned by Presiding Judge Afable E. Cajigal of Branch 96, Regional Trial Court, Quezon City.
37 *Id.* at 51–83.
38 *Id.* at 58–59.

nothing more to restrain, since the Zoning Ordinance had already been implemented and enforced, and the Foundation had enjoyed the renewal of its permits since 2011.[39]

The City likewise avers that the trial court erred in declaring the Zoning Ordinance as unconstitutional, contrary to statutes, discriminatory, unreasonable, and *ultra vires*. It argues that the Zoning Ordinance is presumed valid since the Foundation has not filed any direct action assailing its nullity or unconstitutionality; the Foundation's petition, in effect, is a collateral impeachment of the validity and constitutionality of the Zoning Ordinance which is not sanctioned by the rules.[40] Moreover, the City argues that private rights and contracts must yield to the Zoning Ordinance since it is a valid exercise of police power.[41]

The City also points out that the issuance of the TRO and injunction were made in haste while the trial was ongoing, such that it filed an Urgent Motion for Inhibition; but the trial judge refused to inhibit.[42]

In further support of its petition, the City argues that the Foundation's usufruct had been extinguished considering that the purposes for the usufruct no longer exist, and that the Foundation is bereft of corporate personality.[43] The City avers that at the time the Foundation filed its petition for prohibition on February 23, 2012, it no longer exists as a corporation since its Certificate of Registration had long been revoked by the Securities and Exchange Commission (SEC) on February 21, 2002.[44] Thus, without a corporate existence, the Foundation had no legal capacity to sue.[45]

The Antecedents of the Second Case

While the First Case was pending in the trial court, specifically on July 3, 2012, the Foundation received from the City's Treasurer a Final Notice to Exercise the Right of Redemption dated May 9, 2012.[46] The Foundation was notified that the subject property being then occupied by it was sold at a public auction and in order to redeem the same, the amount of PHP 40,980,986.24 was to be paid on or before July 7, 2012. The Foundation sent a reply[47] July 3, 2012, insisting that it had never been delinquent in paying its realty taxes; as usufructuary, it was not liable for realty taxes, and that by virtue of Proclamation No. 1670, it was not imposed any such burden or obligation to pay the same.

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39 *Id.* at 61–62.
40 *Id.* at 61–70.
41 *Id.* at 67–70.
42 *Id.* at 73–74.
43 *Id.* at 70.
44 *Id.* at 74–75.
45 *Id.* at 75.
46 *Rollo* (G.R. No. 228284), p. 79.
47 *Id.* at 80.

Thereafter, before the opening of the Foundation's office on July 10, 2012, the City, through Elmo San Diego, then head of the Department of Public Order and Safety (DPOS), Roger Cuaresma, Cameran M.J., and other members of the DPOS, entered the subject property and served a letter dated July 9, 2012,[48] signed by then Mayor Bautista, stating that due to its failure to redeem the subject property within one year from the date of auction, ownership thereof was transferred and vested on the City.

Immediately after having been served the said letter, the Foundation claims that the City, through the said representatives, aided by some 100 police officers, forcibly took over its premises, padlocked the vehicular and pedestrian gates, and deployed several officers and security guards and posted them around the area, which caused fear and confusion among the tenants and other persons in the premises.[49] Similar measures were also taken on the various business establishments inside the premises which caused several tenants to lose their businesses. Several tarpaulin signs which read, "This property is forfeited in favor of the Quezon City Government" were also hung in prominent places in the premises.[50]

That same day, the Foundation wrote to the City asserting that nothing in the law allows the latter to forcibly enter and take over its premises.[51] However, the City did not heed the same; thus, the Foundation filed a Petition (For Prohibition and Injunction with Damages and with Application for a Writ of Preliminary Prohibitory and Mandatory Injunction and a Temporary Restraining Order)[52] with the RTC of Quezon City, Branch 216 on July 12, 2012, which was docketed as SCA No. Q-12-71638.

The City filed its Answer[53] on August 22, 2012. Subsequently, on March 11, 2013, the trial court denied the Foundation's application for a writ of preliminary injunction since it failed to prove the irreparable injury that it would suffer if the said writ was not issued in its favor, and due to the fact that it was already dispossessed of the subject property.[54] An Urgent Motion for Reconsideration[55] was filed by the Foundation on April 5, 2013. The City then filed an Opposition to the Urgent Motion for Reconsideration with Motion to Dismiss[56] on May 30, 2013 (Motion to Dismiss), arguing that the Foundation had no legal capacity to sue since its Certificate of Registration had long been revoked by the SEC on February 21, 2001, for its failure to file requisite financial statements for the years 1996-2003.[57]

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48 *Id.* at 81.
49 *Id.* at 7.
50 *Id.* at 82–87.
51 *Id.* at 88–89.
52 *Id.* at 58–76.
53 *Id.* at 276.
54 *Id.* at 8.
55 *Id.* at 277.
56 *Id.*
57 *Id.* at 8.

The trial court denied the Foundation's Urgent Motion for Reconsideration as well as the City's Motion to Dismiss.[58] The trial court gave the Foundation an opportunity to present evidence to prove its corporate existence during trial. The City filed a Motion for Reconsideration[59] on February 28, 2014, praying that the petition be dismissed as only juridical entities authorized by law may be parties in a civil action.[60]

Meanwhile, the Foundation argued that the revocation of its Certificate of Registration by the SEC had not become final as it was given until December 15, 2015, within which to file a petition to set aside the order of revocation.[61] The Foundation also argued that its legal personality cannot be collaterally attacked; that the City is not the proper party to question the same; and that the City is already estopped from questioning its legal personality for having dealt with it as a corporation in several transactions for years.[62]

Ruling of the Regional Trial Court

The trial court issued an Order[63] dated December 22, 2014, which reconsidered its earlier Order denying the City's Motion to Dismiss, the dispositive portion of which reads:

> WHEREFORE, the Petition is hereby ordered dismissed.
>
> SO ORDERED.[64]

The trial court explained that it denied the City's Motion to Dismiss with the intention to receive evidence for the Foundation to prove its corporate existence; however, the Foundation confirmed that its Certificate of Registration had been revoked by the SEC on February 21, 2002.[65] It also ruled that while the Foundation had until December 15, 2015 to file a petition to set aside the revocation, the right to file does not mean that it had acquired back its corporate existence. Even assuming that the revocation is not final, what prevails is the fact that the certificate remains revoked, and until after the order of revocation is reconsidered, the Foundation cannot be considered a corporation.[66]

Aggrieved, the Foundation appealed to the CA on March 4, 2015.[67] After the parties submitted their respective memoranda, the Foundation filed an Urgent Motion/Manifestation dated November 23, 2015, annexing to it the SEC

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58 *Id.* at 8–9.
59 *Id.* at 277.
60 *Id.* at 9, 52–53.
61 *Id.* at 9, 53.
62 *Id.* at 53.
63 *Id.* at 52–54.
64 *Id.* at 54.
65 *Id.* at 53.
66 *Id.*
67 *Id.* at 46.

Order of October 14, 2015, setting aside the Order of Revocation dated December 28, 2001.[68]

Ruling of the Court of Appeals

The appellate court issued the assailed Decision[69] dated June 16, 2016, thus:

> **WHEREFORE**, based on the foregoing, the Appeal is **DENIED**. The Order dated [December 22,] 2014 of the Regional Trial Court, National Capital Judicial Region, Branch 216, Quezon City docketed as Special Civil Case No. Q-12-71638 is hereby **AFFIRMED**.
>
> **SO ORDERED**.[70] (Emphasis in the original)

Agreeing with the trial court, the CA pronounced that the lack or revocation of the certificate of registration or incorporation operates to divest a corporation of such personality to act and appropriate for itself the power and attributes of a corporation as provided by law.[71]

The CA found that the fact of revocation of the Certificate of Registration of the Foundation was published in a newspaper of general circulation; and the latter did not dispute the validity of such revocation nor did it submit counter-evidence to prove compliance of the same from the date of revocation until the present action.[72] Rather, the Foundation harped on the fact that the SEC, by virtue of a letter[73] dated January 3, 2014, had allowed it to file a petition to set aside the revocation until December 15, 2015.[74] The Foundation argued that such allowance by the SEC extended its corporate existence and that the earlier revocation had not been rendered final.[75] However, the CA found that nowhere in the SEC's letter was it stated that the revocation was not final pending the filing of any petition to set aside the same.[76] It also held that notwithstanding the fact that the order of revocation was set aside on October 14, 2015, it remains that the Foundation lacked the requisite legal personality at the time of the filing of its petition against the City.[77]

The Foundation moved for reconsideration, but the CA denied the same in its Resolution dated November 17, 2016.[78]

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68 *Id.* at 11.
69 *Id.* at 40–51.
70 *Id.* at 51.
71 *Id.* at 48.
72 *Id.*
73 *Id.* at 17–18.
74 *Id.* at 48.
75 *Id.*
76 *Id.*
77 *Id.*
78 *Id.* at 56–57.

Hence, the Foundation filed a Petition for Review on *Certiorari*[79] under Rule 45 dated November 25, 2016 arguing that: a) courts have no jurisdiction to rule on the Foundation's juridical personality as it is the SEC that has the exclusive original jurisdiction to pass upon the juridical personality of a corporation; b) the CA grievously erred in not holding that the existence of a corporation cannot be attacked collaterally, and in not finding that the City and its representatives are already estopped from putting in issue the Foundation's corporate personality; and c) that the CA was wrong to touch upon the merits of the petition considering that they are irrelevant to the resolution of the issue on the Foundation's corporate personality.[80]

The Foundation insists that it had corporate personality when it filed its petition against the City since the earlier order of revocation had not been final; in any case, it argues that the SEC's Order[81] dated October 14, 2015 which set aside the earlier revocation retroacts to the date of revocation, such that the Foundation is deemed to have never lost its corporate or legal personality to sue and maintain its case against the City.[82]

Issues

The following are the issues for Our resolution.

1) Whether the City's direct appeal to this Court *via* a petition for review on *certiorari* in the First Case can be entertained.

2) Whether the Foundation had the requisite legal capacity to institute a petition for prohibition against the City on February 23, 2012, and another same petition on July 12, 2012, considering that its Certificate of Registration had been revoked by the SEC on February 21, 2002; and whether the City is estopped from questioning the Foundation's capacity to sue.

3) Whether the Foundation, through a petition for prohibition, may assail the validity and constitutionality of the Zoning Ordinance.

4) Whether the City can assess realty taxes on the subject property, which is owned by the NHA, and foreclose and seize the same for non-payment thereof.

5) Whether the City can, in the guise of a Zoning Ordinance, reclassify or regulate the use of the subject property on which the Foundation exercises its usufructuary rights.

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[79] *Id.* at 3–38.
[80] *Id.* at 15–16.
[81] *Id.* at 18.
[82] *Id.*

Our Ruling

I. Procedural Issues

a. While direct resort to the Court is generally disallowed; there are exceptions

We first rule on the propriety of the City's direct resort to this Court *via* its Petition for Review on *Certiorari* in the First Case.

We note that the City directly comes to this Court *via* a Rule 45 petition.

> Under Rule 41 of the Rules, an appeal from the RTC's decision may be undertaken in three ways, depending on the nature of the attendant circumstances of the case, namely: (1) an ordinary appeal to the CA in cases decided by the RTC in the exercise of its original jurisdiction; (2) a petition for review to the CA in cases decided by the RTC in the exercise of its appellate jurisdiction; and (3) a petition for review on *certiorari* directly filed with the Court where only questions of law are raised or involved.[83]
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> . . . .
>
> A question of law arises when there is doubt 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 falsity of the alleged facts. For a question to be one of law, its resolution must not involve an examination of the probative value of the evidence presented by the litigants, but must rely solely on what the law provides on the given set of facts. If the facts are disputed, or if the issues require an examination of the evidence, the question posed is one of fact. The test, therefore, is not the appellation given to a question by the party raising it, but whether the appellate court can resolve the issue without examining or evaluating the evidence, in which case, it is a question of law; otherwise, it is a question of fact.[84] (Citations omitted)

In the First Case, the City directly brought its Petition for Review on *Certiorari* before this Court raising mixed questions of fact and law. The City raised questions of fact when it put in issue the Foundation's lack of corporate personality due to the revocation of the latter's certificate of registration; as well as the trial judge's alleged hasty issuance of the TRO/injunction. Clearly, the resolution of these issues entails a review of the factual circumstances.

It has been consistently held that in "reviews on *certiorari*, the Court addresses only the questions of law. It is not [O]ur function to analyze or weigh the evidence (which task belongs to the trial court as the trier of facts and to the appellate court as the reviewer of facts). We are confined to the review of errors

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[83] *See Far Eastern Surety and Insurance Co., Inc. v. People*, 721 Phil. 760, 766 (2013) [Per J. Brion, Second Division].

[84] *Id.* at 767, *citing Heirs of Cabigas v. Limbaco*, 670 Phil. 274, 285 (2011) [Per J. Brion, Second Division].

of law that may have been committed in the judgment under review."[85]

This is also in observance of the rule on hierarchy of courts where the Court explained in *Bañez, Jr. v. Concepcion*:[86]

> The Court must enjoin the observance of the policy on the hierarchy of courts, and now affirms that the policy is not to be ignored without serious consequences. The strictness of the policy is designed to shield the Court from having to deal with causes that are also well within the competence of the lower courts, and thus leave time to the Court to deal with the more fundamental and more essential tasks that the Constitution has assigned to it. The Court may act on petitions for the extraordinary writs of (*certiorari*), prohibition and *mandamus* only when absolutely necessary or when serious and important reasons exist to justify an exception to the policy.[87]

> Nonetheless, the rule on hierarchy of courts admits exeptions, as emphasized in Ifurung v. Carpio Morales:[88]

> However, the doctrine of hierarchy of courts is not an iron-clad rule, as it in fact admits the jurisprudentially established exceptions thereto, viz.: (a) a direct resort to this Court is allowed when there are genuine issues of constitutionality that must be addressed at the most immediate time. A direct resort to this court includes availing of the remedies of [*certiorari*] and prohibition to assail the constitutionality of actions of both legislative and executive branches of the government; (b) when the issues involved are of transcendental importance; (c) cases of first impression warrant a direct resort to this court; (d) the constitutional issues raised are better decided by this Court; (e) the time element; (f) the filed petition reviews the act of a constitutional organ; (g) petitioners have no other plain, speedy, and adequate remedy in the ordinary course of law; and (h) the petition includes questions that are dictated by public welfare and the advancement of public policy, or demanded by the broader interest of justice, or the orders complained of were found to be patent nullities, or the appeal was considered as clearly an inappropriate remedy.[89]

Thus, while the direct petition before this Court is generally disallowed if it involves mixed questions of fact and law, this Court may entertain the same when there are genuine issues of constitutionality that must be addressed, as in this case. The petition likewise involves questions on actions of a local government body which have allegedly impinged on private rights; the resolution of which is, as We deem it, relevant for the advancement of public policy and demanded by the broader interest of justice.

b. The Foundation lacked the capacity to sue at the time it filed its petitions for prohibition against the City in 2012;

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[85] *Id.*, *citing Dihiansan v. Court of Appeals*, 237 Phil. 695; 701 (1987) [Per C.J. Teehankee, First Division].
[86] 693 Phil. 399 (2012) [Per J. Bersamin, First Division].
[87] *Id.* at 412.
[88] 831 Phil. 135 (2018) [Per J. Martires, *En Banc*].
[89] *Id.* at 157–158, *citing The Diocese of Bacolod v. Commission on Elections*, 751 Phil. 301, 334 (2015) [Per J. Leonen, *En Banc*].

nevertheless, the City is already estopped from raising this defense

To recapitulate, the City raised the issue on the Foundation's lack of capacity to sue both in the First and Second Cases. The City avers that the Foundation's Certificate of Registration was revoked on February 21, 2002,[90] by the SEC for its failure to file financial statements from 1996 to 2003;[91] hence, at the time of the filing of the petitions for prohibition on February 23 and July 12, 2012, the Foundation had no legal capacity to sue as a corporation.

Moreover, the City explained that it only discovered, after it filed its Answer in the Second Case, that the Foundation does not exist as a corporation through the SEC's Letter dated February 21, 2013,[92] which it only received on February 28, 2013.[93] The said Letter confirms that the Foundation's Certificate of Registration was revoked on February 21, 2002, per the attached Certificate of Corporate Filing/Information issued on January 21, 2013.[94]

We are unconvinced.

The Corporation Code,[95] Sec. 122[96] in particular, provides that a corporation whose charter expires pursuant to its articles of incorporation, is annulled by forfeiture, *or whose corporate existence is terminated in any other manner*, shall nevertheless remain as a body corporate for three years after the effective date of dissolution, for the purpose of prosecuting and defending suits by or against it, and enabling it to settle and close its affairs, dispose of and convey its property, and distribute its assets, but not for the purpose of

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90 *Rollo* (G.R. No. 208788), Vol. 2, p. 517.

91 *Id.* at 518.

92 *Id.* at 102–unpaginated.

93 *Id.*

94 *Id.*

95 Batas Pambansa Blg. 68 (1980), The Corporation Code of the Philippines, as amended by Republic Act No. 11232 (2019).

96 Section 122. *Corporate liquidation.* – Every corporation whose charter expires by its own limitation or is annulled by forfeiture or otherwise, or whose corporate existence for other purposes is terminated in any other manner, shall nevertheless be continued as a body corporate for three (3) years after the time when it would have been so dissolved, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, to dispose of and convey its property and to distribute its assets, but not for the purpose of continuing the business for which it was established.

At any time during said three (3) years, said corporation is authorized and empowered to convey all of its property to trustees for the benefit of stockholders, members, creditors, and other persons in interest. From and after any such conveyance by the corporation of its property in trust for the benefit of its stockholders, members, creditors and others in interest, all interest which the corporation had in the property terminates, the legal interest vests in the trustees, and the beneficial interest in the stockholders, members, creditors or other persons in interest.

Upon the winding up of the corporate affairs, any asset distributable to any creditor or stockholder or member who is unknown or cannot be found shall be escheated to the city or municipality where such assets are located.

Except by decrease of capital stock and as otherwise allowed by this Code, no corporation shall distribute any of its assets or property except upon lawful dissolution and after payment of all its debts and liabilities. (Now Section 139 of Republic Act No. 11232 [2019], or the "Revised Corporation Code of the Philippines")

continuing the business for which it was established.

Moreover, the Rules of Court, Rule 3, Sec. 1, provides that only natural or juridical persons, or entities authorized by law may be parties in a civil action.[97] Hence, non-compliance with the said requirement will render a case dismissible on the ground of lack of legal capacity to sue which refers to "a plaintiff's general disability to sue, such as on account of minority, insanity, incompetence, *lack of juridical personality* or any other general disqualifications of a party."[98] In particular, an unregistered association, having no separate juridical personality, lacks the capacity to sue in its own name.[99]

There is no dispute that the Foundation's corporate registration was revoked on February 21, 2002. Thus, applying the Corporation Code, specifically Sec. 22 thereof, it had three years, or until February 21, 2005, to prosecute or defend any suit by or against it.

Notably, the subject petitions for prohibition against the City however, were filed only in 2012, or more or less 10 years from the time of such revocation. It is likewise not disputed that the petitions for prohibition were filed by the Foundation as a corporation, and not by its directors or trustees as individuals. In fact, it is even averred in the first paragraph of the petitions for prohibition that "[p]etitioner is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office and business address at MSBF Building, Quezon Avenue cor. E. de los Santos Avenue, Diliman, Quezon City, Metro Manila, represented herein by its President and Chairman Lucito M. Bertol, duly authorized to institute this case on behalf of the Foundation by virtue of the Board Resolution embodied in the Secretary's Certificate[.]"[100]

The Foundation's knowledge of the revocation of its registration can also be presumed since the SEC's order of revocation was published in a newspaper of general circulation; there is also no showing whether such order of revocation was final. Meanwhile, the Foundation admitted that it filed the petition to set

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[97] RULES OF COURT, Rule 3, sec. 1. *Who may be parties; plaintiff and defendant.* — Only natural or juridical persons, or entities authorized by law may be parties in a civil action. The term "plaintiff" may refer to the claiming party, the counter-claimant, the cross-claimant, or the third (fourth, etc.) — party plaintiff. The term "defendant" may refer to the original defending party, the defendant in a counter-claim, the cross-defendant, or the third (fourth, etc.) — party defendant. (1a)

[98] *Alliance of Quezon City Homeowners' Association, Inc. v. The Quezon City Government*, 840 Phil. 277, 291 (2018) [Per J. Perlas-Bernabe, *En Banc*], *citing Alabang Development Corporation v. Alabang Hills Village Association*, 734 Phil. 664, 669 (2014) [Per J. Peralta, Presidential Electoral Tribunal], *citing further Columbia Pictures, Inc. v. Court of Appeals*, 329 Phil. 875, 901 (1996) [Per J. Regalado, *En Banc*]. (Emphasis supplied)

[99] *Id.*, *citing Association of Flood Victims v. Commission on Elections*, 740 Phil. 472, 480 (2014) [Per Acting C.J. Carpio, *En Banc*]. *See also Samahang Magsasaka ng 53 Hektarya v. Mosquera*, 547 Phil. 560, 570 (2007) [Per J. Velasco, Jr., Second Division] and *Dueñas v. Santos Subdivision Homeowners Association*, 474 Phil. 834, 846–847 (2004) [Per J. Quisumbing, Seccond Division].

[100] *Rollo* (G.R. No. 228284), pp. 58–59.

aside the order of revocation only on February 4, 2015,[101] or after it had already filed its petitions for prohibition against the City.

Nevertheless, We hold that while the Foundation lacked the legal capacity to sue at the time it filed the petitions for prohibition against the City in 2012 because of the revocation by the SEC of its registration in 2002, the City should be barred from raising this defense by virtue of the doctrine of estoppel.

The Corporation Code, in particular, Section 21,[102] provides:

> Section 21. *Corporation by estoppel.* – All persons who assume to act as a corporation knowing it to be without authority to do so shall be liable as general partners for all debts, liabilities and damages incurred or arising as a result thereof: *Provided, however*, That when any such ostensible corporation is sued on any transaction entered by it as a corporation or on any tort committed by it as such, it shall not be allowed to use as a defense its lack of corporate personality.
>
> **One who assumes an obligation to an ostensible corporation as such, cannot resist performance thereof on the ground that there was in fact no corporation.** (Emphasis supplied)

Verily, the presumption that the Foundation knew of the revocation having been published in a newspaper of general circulation should likewise apply to the City. After all, the Foundation has been doing its business within the City's jurisdiction. Applying the principle of presumption of regularity in the performance of duties, it is reasonable to expect the City to have performed due diligence in its dealings with corporations doing business within its territorial jurisdiction, and in its regulatory processes such as issuance of clearances and business permits. We can reasonably expect, therefore, that as a prerequisite in granting the locational clearances and business permits for those years, the City had perused through the Foundation's documents to determine not only whether it complied with the requirements, but also whether it is licensed or authorized to engage in business in the Philippines.

In fact, the City does not deny the issuance or renewal of the locational clearances and business permits to the Foundation from 2008 until 2011. Pursuant to the Zoning Ordinance, a Certificate of Non-Conformance was issued to the Foundation on March 20, 2008, and was renewed in March 2009, March 2010, and up to December 2011.[103] It is true that the Foundation instituted the actions in 2012; however, it is only thereafter that the City questioned the Foundation's legal existence despite the fact that it issued in favor of the Foundation business permits as early as 2008. It can also be observed that the ground for the non-renewal of the Foundation's locational clearance and business permit is not because it lacked corporate personality, but

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[101] *Rollo* (G.R. No. 228284), p. 18.
[102] Now Section 20 of Republic Act No. 11232 (2019).
[103] *Rollo* (G.R. No. 208788), p. 86.

because of its non-conformance with the Zoning Ordinance.

The fact that the City had issued locational clearances and business permits to the Foundation until 2011, had collected taxes and/or fees in line therewith, and had probably benefitted in one way or another from the Foundation's operations, shows that the City treated the Foundation as a duly registered and existing corporation, by all intents and purposes.

In *Magna Ready Mix Concrete Corp. v. Andersen Bjornstad Kane Jacobs, Inc.*,[104] We held that a party should be estopped from impugning the personality of a corporation after transacting with it, or deriving benefits therefrom, thus:

> To put it in another way, *a party is estopped to challenge the personality of a corporation after having acknowledged the same by entering into a contract with it. And the doctrine of estoppel to deny corporate existence applies to a foreign as well as to domestic corporations. One who has dealt with a corporation of foreign origin as a corporate entity is estopped to deny its corporate existence and capacity. The principle will be applied to prevent a person contracting with a foreign corporation from later taking advantage of its noncompliance with the statutes[,] chiefly in cases where such person has received the benefits of the contract.*
>
> The rule is deeply rooted in the time-honored axiom of *commodum ex injuria sua non habere debet* — no person ought to derive any advantage of his own wrong. This is as it should be for as mandated by law, "every person must in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith."[105] (Citations omitted, emphasis supplied)

As We have succinctly declared in *The Missionary Sisters of Our Lady of Fatima v. Alzona:*[106]

> The doctrine of corporation by estoppel is founded on principles of equity and is designed to prevent injustice and unfairness. It applies when a non-existent corporation enters into contracts or dealings with third persons. In which case, *the person who has contracted or otherwise dealt with the non-existent corporation is estopped to deny the latter's legal existence in any action leading out of or involving such contract or dealing.* While the doctrine is generally applied to protect the sanctity of dealings with the public, nothing prevents its application in the reverse, in fact the very wording of the law which sets forth the doctrine of corporation by estoppel permits such interpretation. *Such that a person who has assumed an obligation in favor of a non-existent corporation, having transacted with the latter as if it was duly incorporated, is prevented from denying the existence of the latter to avoid the enforcement of the contract.*[107]

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[104] 894 Phil. 286 (2021) [Per J. Hernando, Third Division].
[105] *Id.* at 299–300.
[106] 838 Phil. 283 (2018) [Per J. A. Reyes, Jr., Second Division].
[107] *Id.* at 295–296.

> The doctrine of corporation by estoppel rests on the idea that if the Court were to disregard the existence of an entity which entered into a transaction with a third party, unjust enrichment would result as some form of benefit have already accrued on the part of one of the parties. Thus, in that instance, the Court affords upon the unorganized entity corporate fiction and juridical personality for the sole purpose of upholding the contract or transaction.[108] (Citations omitted, emphasis supplied)

We are aware that as a rule, estoppel does not operate against the State or its agents, such as the City. However, there are instances where such a general rule may be brushed aside in the interest of fair play, and when exceptional circumstances warrant, such as this case. We said in *Estate of Yujuico v. Republic*:[109]

> Estoppels against the public are little favored. They should not be invoked except in rare and unusual circumstances, and may not be invoked where they would operate to defeat the effective operation of a policy adopted to protect the public. They must be applied with circumspection and *should be applied only in those special cases where the interests of justice clearly require it. Nevertheless, the government must not be allowed to deal dishonorably or capriciously with its citizens, and must not play an ignoble part or do a shabby thing; and subject to limitations [. . . ,] the doctrine of equitable estoppel may be invoked against public authorities* as well as against private individuals.[110] (Citation omitted, emphasis supplied)

Hence, it would be an injustice to allow the City to dispute the Foundation's legal personality and capacity to sue in the instant cases, when it is clear that it treated the latter as a duly incorporated entity, had transacted with it for several years by the issuance of locational clearances and business permits, and had, in one way or another, benefitted from the Foundation's operations within its territorial jurisdiction.

Notably, the SEC already issued an Order in 2015 setting aside the earlier revocation of the Foundation's registration; thus, it can be said that the SEC never treated the revocation as final and unalterable. Nonetheless, while it may be argued that the said Order cannot retroact to 2012, or the time when the Foundation filed its petitions for prohibition, this Court is allowed, under the doctrine of estoppel, to treat the Foundation as having a corporate personality to sustain its actions against the City which arose from its dealings and transactions with the latter.

The City should be held in estoppel in the interest of justice. To rule otherwise would set a dangerous example to other local government units (LGUs) dealing with corporations within their respective territorial jurisdictions. It is thus apt to remind the LGUs to act with due diligence and

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[108] *Id.* at 296.
[109] 563 Phil. 92 (2007) [Per J. Velasco, Jr., Second Division], *citing Manila Lodge No. 761 v. Court of Appeals*, 165 Phil. 161, 188 (1976) [Per J. Castro, First Division].
[110] *Id.* at 111.

fairness in their dealings and transactions with businesses establishments within their districts. We deem it not fair, to say the least, for the LGUs to issue in favor of these entities the necessary business permits, collect from them taxes and fees, and allow them to operate, only to impugn their personality or capacity later in a suit brought by them arising from their dealings with the said LGUs.

c. The Foundation's petition assailing the validity and constitutionality of the Zoning Ordinance may be treated as a petition for certiorari and prohibition

The specific provisions of the Zoning Ordinance being questioned by the Foundation are as follows:

> **Sec. 1, [Art.] III** – which contains a definition of terms being applied to [the Foundation].
>
> **Sec. 2, [Art.] IV** – which classifies the 7-hectare area under [the Foundation's] usufruct into a metropolitan commercial zone except areas identified as institutional areas.
>
> **[Art.] VIII** – which among other things gives the owner of a non-conforming use a 10-year phase out and relocation period and requires a locational clearance for the continued use of its premises during the phase out and relocation period.
>
> **Sec. 2, [Art.] X** – which provides that the land use decisions of the national agencies concerned shall be consistent with the Comprehensive Land Use Plan of the locality.
>
> . . . .
>
> [Sec.] 1, Art. III of the 2000 Zoning Ordinance as amended provided that, "Commercial, Metropolitan (C-3): a subdivision of an area characterized by heavy commercial developments and multi-level commercial structures, including trade, service and entertainment on a metropolitan (regional) scale of operations as well as miscellaneous support services; with permitted light industrial activities.
>
> In correlation, [Sec.] 1(i), Art. VI of the 2000 Zoning Ordinance as amended requires, "the owner of a non-conforming use shall program the phase-out and relocation of the non-conforming use within ten (10) years from the effectivity of this ordinance."[111]

To recall, due to the Foundation's continued non-conforming use of or building on the subject property, the City denied the renewal of the Foundation's Certificate of Non-Conformance which is a prerequisite for the renewal of its business permit in 2012.

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[111] *Rollo* (G.R. No. 208788), pp. 88–89.

Meanwhile, on August 19, 2020, the City filed a Manifestation[112] before this Court that in March 2012, it approved Ordinance No. SP-2117, series of 2011,[113] otherwise known as the Quezon City Central Business District Ordinance, which classified the subject property as a *Mixed Commercial / Retail Zone* as part of the Triangle Exchange of the Quezon City Central Business District. The said Ordinance was enacted pursuant to Executive Order Nos. 620 and 620-A, series of 2007,[114] which created the Urban Triangle Development Commission to manage the development and speed up the transformation of a mixed-use area, or the Quezon City Central Business District.[115]

Preliminarily, We note that the records are bereft of any evidence of the full text or any part of the assailed Zoning Ordinance. An ordinance or a part of it is not included in the enumeration of matters covered by mandatory judicial notice under the 1997 Rules of Court, specifically under Rule 129, Sec. 1. Even with the enactment of Republic Act No. 409,[116] in which Sec. 50 thereof states that "[a]ll courts sitting in the city shall take judicial notice of the ordinances passed by the [*Sangguniang Panglungsod*]," this does not mean that this Court, which has a seat in Quezon City, should procure a copy of the ordinance on its own, which is the duty of the party.

Neither is the court *a quo* required to take judicial notice of municipal or city ordinances that are not before it, and to which it does not have access. The intent of Republic Act No. 409 is to remove any discretion a court might have in determining whether to take notice of an ordinance, and *not to direct the court to act on its own in obtaining evidence for the record.* It is the obligation of the party to supply the court with the full text or any part of the ordinance if they so desire for the court to take cognizance thereof. Thus, we held in *Social Justice Society v. Atienza, Jr.*:[117]

> While courts are required to take judicial notice of the laws enacted by Congress, the rule with respect to local ordinances is different. Ordinances are not included in the enumeration of matters covered by mandatory judicial notice under [Rule 129, Sec. 1], of the Rules of Court.
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> Although, Section 50 of [Republic Act No.] 409 provides that:

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[112] *Id.* at 442–446.

[113] An Ordinance Classifying the 250.6 Hectare Area Comprising of the North Triangle, East Triangle and Veterans Memorial Hospital Compound as the Quezon City Central Business District (QC-CBD) and Adopting the QC-BCD Master Plan and Related Implementing Rules and Regulations Thereof.

[114] Executive Order No. 620 (2007), Rationalizing and Speeding Up The Development Of The East And North Triangles, And The Veterans Memorial Area of Quezon City, As a Well-Planned, Integrated And Environmentally Balanced Mixed-Use Development Model. Executive Order No. 620-A (2007), Expanding The Composition Of The Urban Triangle Development Commission And Clarifying Its Structure And Functions, Thereby Amending Executive Order No. 620, Series of 2007.

[115] *Rollo* (G.R. No. 208788), pp. 442–443.

[116] Revised Charter of the City of Manila, and For Other Purposes (1949).

[117] 568 Phil. 658 (2008) [Per J. Corona, First Division].

> SEC. 50. Judicial notice of ordinances. — All courts sitting in the city shall take judicial notice of the ordinances passed by the *[Sangguniang Panglungsod]*.

this cannot be taken to mean that this Court, since it has its seat in the City of Manila, should have taken steps to procure a copy of the ordinance on its own, relieving the party of any duty to inform the Court about it.

Even where there is a statute that requires a court to take judicial notice of municipal ordinances, a court is not required to take judicial notice of ordinances that are not before it and to which it does not have access. The party asking the court to take judicial notice is obligated to supply the court with the full text of the rules the party desires it to have notice of. Counsel should take the initiative in requesting that a trial court take judicial notice of an ordinance even where a statute requires courts to take judicial notice of local ordinances.

The intent of a statute requiring a court to take judicial notice of a local ordinance is to remove any discretion a court might have in determining whether or not to take notice of an ordinance. Such a statute does not direct the court to act on its own in obtaining evidence for the record and a party must make the ordinance available to the court for it to take notice.[118] (Citations omitted, emphasis supplied)

Considering the lack of the full text or specific provisions of the assailed Zoning Ordinance, We will rely on the admissions of the parties as embodied in their pleadings, and as found by the RTC in its Decision dated June 18, 2013. Nonetheless, We take judicial notice of Executive Order Nos. 620 and 620-A, which were issued by then President Gloria Macapagal-Arroyo in 2007, being an official act of the executive department as per the 1997 Rules of Court, Rule 129, Section 1.

Meanwhile, although the instant action mainly anchors on "prohibition", there is no denying that the Foundation assails the validity or constitutionality of the specific provisions of the Zoning Ordinance in its pleadings. In fact, the City countered the same by arguing that the petition cannot be granted as it is considered a collateral attack of the ordinance. It is worth noting that the Foundation aptly raised in its petition filed before the RTC the issue of constitutionality or validity of the specific provisions of the Zoning Ordinance.

Hence, despite not specifically designating its petition as "*certiorari* and prohibition," We shall treat the instant case as one of *certiorari* and prohibition as pleaded under the expanded jurisdiction of the court which has a broader scope and reach as it can also "set right, undo[,] and restrain any act of grave abuse of discretion amounting to lack or excess of jurisdiction by any branch or instrumentality of the Government, even if the latter does not exercise judicial, quasi-judicial or ministerial functions."[119] It is, therefore, well within

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[118] *Id.* at 685–686.

[119] *Ifurung v. Carpio-Morales*, 831 Phil. 135, 152 (2018) [Per J. Martires, *En Banc*].

the power of the Court to set right or restrain the alleged invalid or unconstitutional act of the City, if any, under the expanded jurisdiction of *certiorari* and prohibition.

Based on the foregoing, We hold that the Foundation properly filed before the RTC the action under its expanded jurisdiction of *certiorari* and prohibition. Where an action of the legislative branch, in this case, the City Council of Quezon City's enactment of the Zoning Ordinance, is seriously alleged to have infringed the Constitution, it becomes not only the right, but in fact the duty of the judiciary, to settle the dispute.[120]

Nonetheless, the power of judicial review is limited by four exacting requisites, namely: (a) there must be an actual case or controversy; (b) the petitioners must possess *locus standi*; (c) the question of constitutionality must be raised at the earliest opportunity; and (d) the issue of constitutionality must be the *lis mota* of the case.[121]

Indisputably, the Foundation presented an actual case or controversy when it assailed the validity or constitutionality of the specific provisions of the Zoning Ordinance which allegedly infringed on its usufructuary rights over the subject property granted by Proclamation No. 1670. In fact, the parties admitted that the Foundation was denied the locational clearance for non-conforming use or building of the subject property and consequently, its business permit to operate in 2012. The Foundation presented a *prima facie* case of grave abuse of discretion on the part of the City when it was denied a business permit to operate in 2012, due to the denial of its application for a locational clearance.

In other words, the Foundation contends that without the business permit, it cannot exercise its usufructuary rights over the subject property granted by Proclamation No. 1670. The Foundation, therefore, argues that the Zoning Ordinance is unconstitutional since it is an invalid exercise of police power as it infringes on property rights without due process of law and the non-impairment clause, which are safeguarded by no less than the Constitution.

Although an ordinance is presumed valid, the Foundation has made out a case of alleged unconstitutionality of the specific provisions of the Zoning Ordinance as they infringe on its usufructuary rights. The *lis mota*, which is defined as the "the cause of the suit or action"[122] is therefore sufficiently established in its petition. The case cannot be resolved unless a disposition of the constitutional question is decided.

Also, the Foundation raised the question of constitutionality of the Zoning Ordinance at the earliest opportunity when it filed its petition before the RTC.

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[120] *Id., citing Tañada v. Angara*, 338 Phil. 546, 574 (1997) [Per J. Panganiban, First Division].
[121] *Id., citing Saguisag v. Ochoa*, 777 Phil. 280, 349 (2016) [Per C.J. Sereno, *En Banc*].
[122] *Kalipunan ng Damayang Mahihirap, Inc. v. Robredo*, 739 Phil. 283, 295 (2014) [Per J. Brion, *En Banc*].

The Foundation immediately assailed the provisions of the Zoning Ordinance when it was denied the required locational clearance for non-conforming use or building needed for its business permit application in 2012.

Meanwhile, *locus standi* or legal standing is defined as follows:

> A personal and substantial interest in the case such that the party has sustained or will sustain a direct injury as a result of the governmental act that is being challenged. The term "interest" means a material interest, an interest in issue affected by the decree, as distinguished from mere interest in the question involved, or a mere incidental interest. The gist of the question of standing is whether a party alleges such personal stake in the outcome of the controversy as to assure that concrete adverseness which sharpens the presentation of issues upon which the court depends for illumination of difficult constitutional questions.[123]

Hence, "a party challenging the constitutionality of a law, act, or statute must show 'not only that the law is invalid, but also that he [or she] has sustained or is in immediate, or imminent danger of sustaining some direct injury as a result of its enforcement, and not merely that he [or she] suffers thereby in some indefinite way.'"[124] Also, "[i]t must be shown that he [or she] has been, or is about to be denied some right or privilege to which he [or she] is lawfully entitled, or that he [or she] is about to be subjected to some burdens or penalties by reason of the statute complained of."[125]

Both parties admitted that the Foundation has usufructuary rights over the subject property as per Proclamation No. 1670. The Court likewise affirmed in *National Housing Authority v. Court of Appeals*[126] the Foundation's usufruct over the subject property, viz.:

> The law clearly limits any usufruct constituted in favor of a corporation or association to 50 years. A usufruct is meant only as a lifetime grant. Unlike a natural person, a corporation or association's lifetime may be extended indefinitely. The usufruct would then be perpetual. This is especially invidious in cases where the usufruct given to a corporation or association covers public land. Proclamation No. 1670 was issued [September 19,] 1977, or 28 years ago. *Hence, under Article 605, the usufruct in favor of [the Foundation] has 22 years left.*[127] (Emphasis supplied)

National Housing Authority was promulgated in 2005. Notwithstanding the fact that the Foundation's registration was revoked in 2002, the Court held that the Foundation still possesses usufructuary rights over the subject property until *2027*. With this pronouncement, it is thus clear that the Foundation is clothed with a legal standing to bring the instant action since it was denied of

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[123] *Ifurung v. Carpio-Morales*, 831 Phil. 135, 153–154 (2018) [Per J. Martires, *En Banc*].
[124] *Ferrer, Jr. v. Bautista*, 762 Phil. 232, 249 (2015) [Per J. Peralta, *En Banc*].
[125] *Id.*
[126] *Id.*
[127] *Id.* at 705.

its usufructuary rights over the subject property, and will continue to be deprived, by the implementation of the Zoning Ordinance.

II. Substantive Issues

a. The City cannot foreclose and seize the subject property for non-payment of real property taxes as it is owned by NHA, a tax-exempt institution

At this point, We find it prudent to determine first whether the subject property, may be validly seized, or forfeited in favor of the City through a foreclosure sale.

To recall, the Foundation filed its petition for prohibition with application for injunction in the Second Case to question the City's foreclosure of the subject property based on the Foundation's alleged non-payment of real property taxes. Both the RTC and the CA, however, dismissed the petition on the ground of the Foundation's lack of capacity to sue.

It has been established in *National Housing Authority*[128] that the seven-hectare property in the instant case is part of the 120-hectare land owned by NHA, a government-owned and controlled corporation (GOCC).

Presidential Decree No. 757[129] categorically identified NHA as a GOCC which was created to develop and implement the government's housing and resettlement program.[130] Since the programs and projects of NHA are for marginal and low-income groups, then President Marcos through Presidential Decree No. 1922,[131] deemed it necessary to reduce costs so that NHA's projects are made more affordable to its beneficiaries; thus, NHA was made exempt from the payment of all taxes, whether local or national, including realty taxes, thus:

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[128] *Id.*

[129] Creating the National Housing Authority and Dissolving the Existing Housing Agencies, Defining its Powers and Functions, Providing Funds Therefor, and For Other Purposes (1975).

[130] Section 2. *Creation of the National Housing Authority.* – There is hereby created a government corporation to be known as the National Housing Authority, hereinafter referred to as the "Authority", to develop and implement the housing program above-mentioned. The Authority shall have its principal office in the Greater Manila area but may have such branch offices, agencies, or subsidiaries in other areas as it may deem proper and necessary. The Authority shall be under the Office of the President and shall exist for fifty (50) years but may be extended.
Section 3. *Progress and Objectives.* – The Authority shall have the following purposes and objectives:
(a) To provide and maintain adequate housing for the greatest possible number of people;
(b) To undertake housing, development, resettlement or other activities as would enhance the provision of housing to every Filipino;
(c) To harness and promote private participation in housing ventures in terms of capital expenditures, land, expertise, financing and other facilities for the sustained growth of the housing industry.

[131] Exempting the National Housing Authority from the Payment of All Taxes, Duties, Fees and Other Charges (1984).

> Section 1. The provision of law to the contrary *notwithstanding the National Housing Authority is hereby exempted from the payment of any and all fees and taxes of any kind; whether local or general, such as* income and realty taxes, special assessments, customs duties, exchange tax, building fees, and other taxes, fees and charges. (Emphasis supplied)

This was affirmed by Republic Act No. 7279[132] which maintained the tax-exempt status of NHA from the payment of local or national taxes, including realty taxes, viz.:

> Section 19. *Incentives for the National Housing Authority. – The National Housing Authority*, being the primary government agency in charge of providing housing for the underprivileged and homeless, *shall be exempted from the payment of all fees and charges of any kind, whether local or national, such as* income and *real estate taxes*. All documents or contracts executed by and in favor of the National Housing Authority shall also be exempt from the payment of documentary stamp tax and registration fees, including fees required for the issuance of transfer certificates of titles. (Emphasis supplied)

Notably, while Republic Act No. 7160[133] or the Local Government Code (LGC), Section 234[134] thereof, withdrew the exemption of GOCCs from paying real property taxes, NHA remains tax-exempt since Republic Act No. 7279 became effective one year after the LGC. Its tax-exempt status from paying real property taxes is also confirmed by BIR Revenue Regulation No. 9-93, issued on March 4, 1993.[135]

In fact, the Court had made a categorical declaration regarding NHA's exemption from the payment of realty taxes in *National Housing Authority v. Iloilo City*:[136]

> In this case, *NHA is indisputably a tax-exempt entity whose exemption covers real property taxes and so its property should not even be subjected to any delinquency sale*. Perforce, the bond mandated in Section 267, whose purpose it is to ensure the collection of the tax delinquency should not be required of NHA before it can bring suit assailing the validity of the auction sale.
>
> Note should be taken that NHA had consistently insisted on the nullity of the proceedings undertaken by respondent Iloilo City which eventually led to the public auction sale of its property. *Since, as had been resolved, NHA is liable neither for real property taxes nor for the bond requirement in Section 267, it necessarily follows that any public auction sale involving property owned by*

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[132] Urban Development and Housing Act of 1992.

[133] AN ACT PROVIDING FOR A LOCAL GOVERNMENT CODE OF 1991 (1991).

[134] SECTION 234. *Exemptions from Real Property Tax.* – The following are exempted from payment of the real property tax:

. . . .

Except as provided herein, any exemption from payment of real property tax previously granted to, or presently enjoyed by, all persons, whether natural or juridical, including all government-owned or -controlled corporations are hereby withdrawn upon the effectivity of this Code.

[135] Signed by the Former Secretary of Finance Ramon R. Del Rosario, Jr.

[136] 584 Phil. 604 (2008) [Per J. Tinga, Second Division].

> *NHA would be null and void* and any suit filed by the latter questioning such sale should not be dismissed for failure to pay the bond.
>
> *NHA cannot be declared delinquent in the payment of real property tax obligations which, by reason of its tax-exempt status, cannot even accrue in the first place.*[137]

Given these pronouncements, since NHA is exempt from the payment of real property taxes, it cannot be assessed such and thus, cannot be considered delinquent by the City.

Nonetheless, the exemption of NHA from the payment of real property taxes does not extend to the beneficial users of its properties, such as the Foundation in this case. In fact, the Foundation's liability to pay real property taxes has been affirmed in Our Resolution[138] dated August 23, 2010 in *Manila Seedling Bank Foundation, Inc. v. City Treasurer Victor B. Endriga, Quezon City, et al.*, docketed as G.R. No. 191335. In said case, We affirmed the City Treasurer's right to proceed against the Foundation for the latter's real property tax liabilities which accrued from the effectivity of the LGC in 1992 *provided* such is not yet barred by the prescriptive period for assessment and collection. The said Resolution dated August 23, 2010, became final and executory on February 21, 2011.[139]

It remains, however, that since the seven-hectare property subject of the instant case is owned by NHA, the same cannot be sold in a public auction, or even forfeited in favor of the City for any delinquency in paying taxes by the Foundation.

The Court pronounced in *Light Rail Transit Authority v. Quezon City*[140] that while the tax exemption does not extend to taxable private entities which enjoy beneficial use of the property, the local government may not foreclose the same for any non-payment of real property taxes.[141] The Court, citing *Government Service Insurance System v. City Treasurer of the City of Manila*,[142] explained that *the local government may satisfy its tax claim by assessing the taxable beneficial user but may not foreclose the property upon which such beneficial use is exercised.*

GSIS as an instrumentality of the national government is itself not liable to pay real estate taxes assessed by the City of Manila against its Katigbak and Concepcion-Arroceros properties. The liability devolves on the taxable beneficial user of these properties, but not upon GSIS and any of its properties

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[137] *Id.* at 611.
[138] RTC records, SCA Case No. Q-12-71638, vol. 1, p. 316.
[139] *Id.*
[140] 864 Phil. 963 (2019) [Per J. Lazaro-Javier, Second Division].
[141] *Id.* at 983.
[142] 623 Phil. 964, 982 (2009) [Per J. Velasco, Jr., Third Division].

though the subject of transactions. *Consequently, the Katigbak property cannot be subject to a public auction sale, notwithstanding the realty tax delinquency assessed on this property. This means that the City of Manila may satisfy its tax claim by assessing the taxable beneficial user of the Katigbak property and, in case of nonpayment, by execution, but through means other than the sale at public auction of the leased property of GSIS.*[143]

Given this, the Foundation is not exempt from paying real property taxes arising from its beneficial use of the subject property. Be that as it may, even when the Foundation may have been delinquent in its payment of real property taxes, *the City does not have any authority to sell through public auction or foreclose any of NHA's properties, including the subject property.* As held in *Light Rail Transit Authority, the City can proceed against the Foundation through any means other than foreclosing the subject property, which is owned by NHA, a tax-exempt institution.* Thus, the sale and the subsequent forfeiture of the subject property by the City are not sanctioned by any law or jurisprudence, and are therefore, illegal.

Notwithstanding the above pronouncements, however, to grant the Foundation's petition for prohibition with an application for injunction in the Second Case would be a futile exercise, since the acts sought to be restrained and the damage sought to be prevented had already been accomplished.

Case law instructs that injunction would not lie where the acts sought to be enjoined had already become *fait accompli* (meaning, an accomplished or consummated act).[144] As the Court elucidated in *Co, Sr. v. The Philippine Canine Club, Inc.*:[145]

> It is a well-established rule that consummated acts can no longer be restrained by injunction. *When the acts sought to be prevented by injunction or prohibition have already been performed or completed prior to the filing of the injunction suit, nothing more can be enjoined or restrained; a writ of injunction then becomes moot and academic, and the court, by mere issuance of the writ, can no longer stop or undo the act. To do so would violate the sole purpose of a prohibitive injunction, that is, to preserve the status quo.*
>
> Moreover, the issuance of a preliminary injunction is not intended to correct a wrong done in the past, or to redress an injury already sustained, or to punish wrongful acts already committed, but to preserve and protect the rights of the litigant during the pendency of the case.
>
> In *Philippine National Bank v. Court of Appeals*, the Court ruled that injunctive reliefs are preservative remedies for the protection of substantive rights and interests. When the act sought to be enjoined has become *fait accompli,* the prayer for provisional remedy should be denied.

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[143] *Id.* at 985.
[144] *Spouses Marquez v. Spouses Alindog*, 725 Phil. 237, 251 (2014). [Per J. Perlas-Bernabe, Second Division].
[145] 759 Phil. 134 (2015) [Per J. Brion, Second Division].

> The Court also ruled in *Go v. Looyuko* that *when events sought to be prevented by injunction or prohibition have already happened, nothing more could be enjoined or prohibited. It is a universal principle of law that an injunction will not issue to restrain the performance of an act already done. A writ of injunction becomes moot and academic after the act sought to be enjoined has already been consummated.*[146] (Citations omitted, emphasis supplied)

The acts sought to be enjoined, i.e., the foreclosure and forfeiture of the subject property by the City, had already been accomplished. There is thus nothing more for the courts to restrain or prevent by a writ of prohibition or injunction.

As per the records, the Foundation had already transferred its administrative office to No. 18 Sampaguita St., DRJ Village, Sauyo 6, Quezon City, as per Permit to Operate or Mayor's Permit No. 00-029331 granted by the City on February 17, 2020, which expired on December 31, 2020.[147] The permit noted the Foundation's transfer of its administrative office from Quezon Avenue corner E. Delos Santos Avenue, UP Campus 4.

Moreover, We also note that the subject property and its adjoining areas have already been developed and built with improvements by the City. Thus, the damage having already been accomplished, any writ of prohibition or injunction in the Foundation's favor would be a useless and futile exercise, not to mention, prejudicial to several other properties or businesses already built and operating in the area.

Thus, while both the RTC and the CA erred in dismissing the Foundation's petition for prohibition in the Second Case on the ground of the Foundation's lack of capacity to sue, the suit is still dismissible on the ground of mootness considering that the act that is being sought to be enjoined had already become *fait accompli*, i.e., the City had already seized possession of the subject property.

This does not mean, however, that the Foundation, and even more so NHA, is precluded from instituting the proper action to declare null and void the foreclosure made by the City, recover possession of their property, and/or seek damages which they may have suffered because of the City's unlawful seizure and deprivation thereof.

c. The provisions of the Zoning Ordinance which changed the nature or the use of the subject property upon which the Foundation exercises its usufructuary rights, are ultra vires, hence, null and void

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[146] *Id.* at 143.
[147] *Rollo* (G.R. No. 208788), p. 439.

To recapitulate, in the First Case, the Foundation filed a petition for prohibition with an application for injunction to assail the provisions of the Zoning Ordinance reclassifying and changing the nature of the use of the subject property, and allegedly depriving it of its usufructuary rights under Proclamation No. 1670. The RTC found for the Foundation and enjoined the City and its officers, agents, or representatives, from further implementing the Zoning Ordinance; it also commanded them to issue the locational clearance and business permit in favor of the Foundation.

We agree with the RTC that the Zoning Ordinance, by reclassifying the usufruct area into a use that is different from what was originally intended, and ultimately depriving the Foundation of its usufructuary rights, is considered *ultra vires* as it is beyond the competence of the local legislative body to amend a national law, i.e., Proclamation No. 1670.

In *City of Manila v. Laguio, Jr.*,[148] the Court held that for an ordinance to be valid, it must not only be within the corporate powers of the LGU to enact and must be passed according to the procedure prescribed by law, it must also conform to the following substantive requirements: (1) must not contravene the Constitution or any statute; (2) must not be unfair or oppressive; (3) must not be partial or discriminatory; (4) must not prohibit but may regulate trade; (5) must be general and consistent with public policy; and (6) must not be unreasonable.[149]

Meanwhile, *Legaspi v. City of Cebu*[150] explains the two tests in determining the validity of an ordinance, i.e., the Formal Test and the Substantive Test. The Formal Test requires the determination of whether the ordinance was enacted within the corporate powers of the LGU, and whether the same was passed pursuant to the procedure laid down by law. Meanwhile, the Substantive Test primarily assesses the reasonableness and fairness of the ordinance, and significantly, its compliance with the Constitution and existing statutes.[151]

The Court also held that while ordinances, just like other laws and statutes, enjoy the presumption of validity, they may be struck down and set aside when their invalidity or unreasonableness is evident on the face or has been established in evidence.[152]

First and foremost is the requirement that an ordinance should not contravene the Constitution or any statute. The Court has declared in *City of*

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[148] 495 Phil. 289 (2005) [Per J. Tinga, *En Banc*].
[149] *Id.* at 307–308.
[150] 723 Phil. 90, 103 (2013) [Per J. Bersamin, *En Banc*].
[151] *See Manila Electric Company v. City of Muntinlupa*, 896 Phil. 137, 145 (2021) [Per J. Hernando, *En Banc*].
[152] *Id.* at 145–146, *citing City of Cagayan De Oro v. Cagayan Electric Power and Light Co., Inc.*, 842 Phil. 439, 455 (2018) [Per J.A. Reyes, Jr., Second Division] and *Balacuit v. Court of First Instance of Agusan del Norte and Butuan City, Branch II*, 246 Phil. 189, 205 (1988) [Per J. Gancayco, *En Banc*].

Batangas v. JG Summit Petrochemical Corporation,[153] that local ordinances that contravene State-enacted legislation is null and void since LGUs merely derive their power from the State legislature, as such, they cannot regulate activities already allowed by statute.[154] Municipal ordinances are considered inferior in status and subordinate to the laws of the state; thus, LGUs have no power to regulate conduct already regulated by the state legislature.[155]

Here, Proclamation No. 1670 granted the Foundation the authority to exercise its usufructuary rights over the subject property, which was confirmed by the Court to be valid until 2027. However, the Zoning Ordinance, in the guise of "regulating" the use of the subject property, effectively deprived the Foundation of its usufructuary rights guaranteed by Proclamation No. 1670. Essentially, the Zoning Ordinance restricted the Foundation from using the subject property by reclassifying and changing its nature. This is evident by the City's refusal to renew the Foundation's Certificate of Non-Conformance, and accordingly, its business permit. The intention to render obsolete the Foundation's rights over the subject property is also made manifest by the relocation and phase out feature in the Zoning Ordinance for non-conforming properties. Indeed, the Zoning Ordinance is in conflict with Proclamation No. 1670 since it limited and altogether restricted the Foundation's usufructuary rights guaranteed thereunder.

Moreover, in *Villacorta v. Bernardo*,[156] the Court declared that an ordinance violates the authority of legislature when it contravenes the national law by adding to its requirements. Thus, it struck down a Dagupan City ordinance requiring all proposed subdivision plans to be passed upon by the City Engineer and imposing a service fee of [PHP] 0.30 per square meter on every resultant lot, and was declared invalid and *ultra vires*, as it effectively amends a general law. The Court explained that "[t]o sustain [Ordinance No. 22, 'An Ordinance Regulating Subdivision Plans over Parcels of Land in Dagupan City,'] would be to open the floodgates to other ordinances amending and so violating national laws in the guise of implementing them."[157]

Notably, the Foundation has been enjoying the subject property as a usufructuary since 1977, without any imposition or requirement, until the passage of the subject Zoning Ordinance. The Zoning Ordinance mandates the properties covered to conform to the new zoning classification imposed; otherwise, they are required to secure a certificate of non-conformance as a prerequisite for the issuance of their business permits. These non-conforming properties will then ultimately be subject to phase out and relocation after 10 years from the passage of the Zoning Ordinance. It is clear, therefore, that the Zoning Ordinance essentially imposes several requirements for the Foundation

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[153] G.R. Nos. 190266-67, March 15, 2023 [Per SAJ. Leonen, Second Division].
[154] *Id.* at 1. This pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website.
[155] *Id.* at 16. This pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website.
[156] 227 Phil. 437 (1986) [Per J. Cruz, First Division].
[157] *Id.* at 439.

to exercise its usufructuary rights and operate its business on the subject property. This obviously contravenes Proclamation No. 1670, which guarantees the subject property in favor of the Foundation.

The application of the provisions of the Zoning Ordinance to the Foundation was also unduly oppressive as it arbitrarily deprived the Foundation of its vested rights over the subject property.

We have upheld the vested rights of property owners and users over the strict implementation of zoning ordinances. When the LGU itself has recognized the property owner or user's vested rights through a provision in the zoning ordinance, the vested right must be upheld.

In *Buklod Nang Magbubukid sa Lupaing Ramos, Inc. v. E. M. Ramos and Sons, Inc.*,[158] We ruled that vested rights should be protected especially when the same is recognized by the zoning ordinance itself:

> The Court answers in the negative. While the subject property may be physically located within an agricultural zone under the 1981 Comprehensive Zoning Ordinance of Dasmariñas, said property retained its residential classification.
>
> According to Section 17, the Repealing Clause, of the 1981 Comprehensive Zoning Ordinance of Dasmariñas: "All other ordinances, rules or regulations in conflict with the provision of this Ordinance are hereby repealed: Provided, that rights that have vested before the effectivity of this Ordinance shall not be impaired."
>
> In *Ayog v. Cusi, Jr.*, the Court expounded on vested right and its protection:
>
> > That vested right has to be respected. It could not be abrogated by the new Constitution. [Article XIII, Section 2] of the 1935 Constitution allows private corporations to purchase public agricultural lands not exceeding one thousand and twenty-four hectares. Petitioners' prohibition action is barred by the doctrine of vested rights in constitutional law.
> >
> > > "*A right is vested when the right to enjoyment has become the property of some particular person or persons as a present interest*" (16 C.J.S. 1173). It is "*the privilege to enjoy property legally vested, to enforce contracts, and enjoy the rights of property conferred by the existing law*" (12 C.J.S. 955, Note 46, No. 6) or "*some right or interest in property which has become fixed and established and is no longer open to doubt or controversy*" (*Downs vs. Blount,* 170 Fed. 15, 20, cited in *Balboa vs. Farrales*, 51 Phil. 498, 502).

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[158] 661 Phil. 34 (2011) [Per J. Leonaro-De Castro, First Division].

> The due process clause prohibits the annihilation of vested rights. "*A state may not impair vested rights by legislative enactment, by the enactment or by the subsequent repeal of a municipal ordinance, or by a change in the constitution of the State, except in a legitimate exercise of the police power*" (16 C.J.S. 1177-78).
>
> It has been observed that, generally, the term "vested right" expresses the concept of present fixed interest, which in right reason and natural justice should be protected against arbitrary State action, or an innately just and imperative right which an enlightened free society, sensitive to inherent and irrefragable individual rights, cannot deny (16 C.J.S. 1174, Note 71, No. 5, citing *Pennsylvania Greyhound Lines, Inc. v. Rosenthal,* 192 Atl. 2nd 587).

It is true that protection of vested rights is not absolute and must yield to the exercise of police power:

> A law enacted in the exercise of police power to regulate or govern certain activities or transactions could be given retroactive effect and may reasonably impair vested rights or contracts. Police power legislation is applicable not only to future contracts, but equally to those already in existence. Non-impairment of contracts or vested rights clauses will have to yield to the superior and legitimate exercise by the State of police power to promote the health, morals, peace, education, good order, safety, and general welfare of the people." [. . .]

Nonetheless, the *Sangguniang Bayan* of Dasmariñas in this case, in its exercise of police power through the enactment of the 1981 Comprehensive Zoning Ordinance, itself abided by the general rule and *included in the very same ordinance an express commitment to honor rights that had already vested under previous ordinances, rules, and regulations*. EMRASON acquired the vested right to use and develop the subject property as a residential subdivision on July 9, 1972 with the approval of Resolution No. 29-A by the Municipality of Dasmariñas. *Such right cannot be impaired by the subsequent enactment of the 1981 Comprehensive Zoning Ordinance of Dasmariñas, in which the subject property was included in an agricultural zone*. Hence, the Municipal Mayor of Dasmariñas had been continuously and consistently recognizing the subject property as a residential subdivision.[159] (Citations omitted, emphasis supplied)

Thus, the Court concluded that vested rights should be respected, even in the exercise of police power, as when the local legislation itself recognizes vested rights granted prior to its enactment. Notably, Section 14 of the assailed Zoning Ordinance protects vested rights, viz.:

> SECTION 14. Repealing Clause. All ordinances, rules or regulations in conflict with the provisions of this Ordinance are hereby repealed; *provided that the rights that are vested before the effectivity of this Ordinance shall not be impaired.*[160] (Emphasis supplied)

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[159] *Id.* at 81–83.

[160] Quezon City Ordinance No. SP-1369 (November 4, 2023).

Therefore, having enjoyed the subject property since 1977 as a usufructuary, the Foundation's vested right cannot be impaired.

In *Ortigas & Co., Limited Partnership v. Feati Bank and Trust Co.*,[161] We upheld the assailed Resolution therein, which reclassified the residential into commercial or light industrial area, over the rights of the lot owners. We noted that the assailed Resolution did not contain any *proviso* respecting private rights or agreements. On the contrary, in the instant case, the Zoning Ordinance expressly acknowledged that it cannot impair rights that have been vested before its effectivity.

Hence, the Foundation's vested right is expressly recognized by the Zoning Ordinance itself such that the City may not disturb it even in the guise of a valid exercise of its police power.

This notwithstanding, We hold that the Zoning Ordinance cannot be upheld as a valid exercise of police power.

In *City of Batangas v. Philippine Shell Petroleum Corporation,*[162] the Court invalidated the ordinance passed by the City of Batangas which sought to regulate the use of water in contravention of the Water Code of the Philippines, as it was not a valid exercise of police power, viz.:

> Police power is the power to prescribe regulations to promote the health, morals, peace, education, good order, safety, and general welfare of the people. As an inherent attribute of sovereignty, police power primarily rests with the State. In furtherance of the State's policy to foster genuine and meaningful local autonomy, the national legislature delegated the exercise of police power to local government units (LGUs) as agents of the State. Such delegation can be found in Section 16 of the LGC, which embodies the general welfare clause.
>
> Since LGUs exercise delegated police power as agents of the State, it is incumbent upon them to act in conformity to the will of their principal, the State. Necessarily, therefore, ordinances enacted pursuant to the general welfare clause may not subvert the State's will by contradicting national statutes.[163]

Moreover, in *Equitable PCI Bank, Inc. v. South Rich Acres, Inc.*,[164] the Court explained that police power is "the inherent power of the State to regulate or to restrain the use of liberty and property for public welfare." Thus, "[u]nder the police power of the State, 'property rights of individuals may be subjected to restraints and burdens in order to fulfill the objectives of the government.'"[165] However, "[p]olice power does not involve the taking or confiscation of property, with the exception of a few cases where there is a

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[161] 183 Phil. 176, 193 (1979) [Per J. Santos, *En Banc*].
[162] 810 Phil. 566 (2017) [Per J. Caguioa, First Division].
[163] *Id.* at 583–584.
[164] 902 Phil. 12 (2021) [Per J. Inting, *En Banc*].
[165] *Id.* at 22.

necessity to confiscate private property in order to destroy it for the purpose of protecting peace and order and of promoting the general welfare; for instance, the confiscation of an illegally possessed article, such as opium and firearms."[166]

There is no dispute that the City, through its *Sangguniang Panlungsod*, like other local legislative bodies, has been empowered to enact ordinances and approve resolutions under the general welfare clause of Batas Pambansa Blg. 337, the Local Government Code of 1983. That it continues to possess such power is clear under the new law, Republic Act No. 7160 (the Local Government Code of 1991). Section 16 thereof provides:

> SECTION 16. *General Welfare.* — Every local government unit shall exercise the powers expressly granted, those necessarily implied therefrom, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of the general welfare. Within their respective territorial jurisdictions, local government units shall ensure and support, among other things, the preservation and enrichment of culture, promote health and safety, enhance the right of the people to a balanced ecology, encourage and support the development of appropriate and self-reliant, scientific and technological capabilities, improve public morals, enhance economic prosperity and social justice, promote full employment among their residents, maintain peace and order, and preserve the comfort and convenience of their inhabitants.

In addition, Section 458 of the same Code specifically mandates:

> SECTION 458. *Powers, Duties, Functions and Compensation.* — (a) The [S]angguniang [P]anlungsod, as the legislative body of the city, shall enact ordinances, approve resolutions and appropriate funds for the general welfare of the city and its inhabitants pursuant to Section 16 of this Code and in the proper exercise of the corporate powers of the city as provided for under Section 22 of this Code[.]

The general welfare clause is the delegation in statutory form of the police power of the State to LGUs.[167] Through this, LGUs may prescribe regulations to protect the lives, health, and property of their constituents and maintain peace and order within their respective territorial jurisdictions. Accordingly, We have upheld enactments providing, for instance, the regulation of gambling,[168] the occupation of rig drivers,[169] the installation and operation of pinball machines,[170] the maintenance and operation of cockpits,[171] the exhumation and

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[166] *Id.*

[167] *See United States v. Salaveria*, 39 Phil. 102, 109 (1918) [Per J. Malcolm, *En Banc*].

[168] *Id.* at 111.

[169] *People v. Felisarta*, 115 Phil. 383, 386 (1962) [Per J. Makalintal, *En Banc*].

[170] *See Miranda v. City of Manila*, 112 Phil. 1105, 1105 (1961) [Per J. Bautista Angelo, *En Banc*].

[171] *See Chief of the Philippine Constabulary v. Sabungan Bagong Silang, Inc.*, 123 Phil. 151, 155–156 (1966) [Per J. Concepcion, *En Banc*]; and *Chief of Philippine Constabulary v. Judge of Court of First Instance of Rizal*, 123 Phil. 422, 429–430 (1966) [Per J. Concepcion, *En Banc*].

transfer of corpses from public burial grounds,[172] and the operation of hotels, motels, and lodging houses[173] as valid exercises by local legislatures of the police power under the general welfare clause.

Of the three fundamental powers of the State, the exercise of police power has been characterized as the most essential, insistent, and the least limitable of powers, extending as it does to all the great public needs. It may be exercised as long as the activity or the property sought to be regulated has some relevance to public welfare.[174] Vast as the power is, however, it must be exercised within the limits set by the Constitution, which requires the concurrence of a lawful subject and a lawful method.[175]

Thus, our courts have laid down the test to determine the validity of a police measure as follows: (1) the interests of the public generally, as distinguished from those of a particular class, requires its exercise; and (2) the means employed are reasonably necessary for the accomplishment of the purpose and not unduly oppressive upon individuals.[176]

In the instant case, however, We agree with the RTC's observation that the City failed to show that the subject property was being used by the Foundation in a way that endangers the lives, health, and welfare of the public, or to prove that the Foundation's environmental, horticultural, and related activities, and the exercise of its administrative functions on the subject property, are offensive to the health and safety, morals, peace, good order, comfort, and convenience of the City and its inhabitants. The records are likewise bereft of evidence from the City showing that the enactment and implementation of the Zoning Ordinance are absolutely and reasonably necessary, as an exercise of police power, to protect the lives, health, and property of their constituents and maintain peace and order.

Notably, We also note that the City failed to justify that the non-issuance of the locational clearance and business permit to the Foundation is a reasonable method to promote the purposes of the Zoning Ordinance. Moreover, the City did not provide any justification, much less, any acceptable terms for the phase-out and relocation feature of the Zoning Ordinance. The said provision essentially forces the Foundation to conform to the zoning classification, and compels it to relocate if non-conforming, which clearly deprives it of its rights without due process of law.

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[172] *See Viray v. City of Caloocan*, 127 Phil. 189, 195 (1967) [Per J. J.B.L., Reyes, *En Banc*].

[173] *See Ermita-Malate Hotel and Motel Operators Association, Inc. v. City Mayor of Manila*, 127 Phil. 306, 325 (1967) [Per J. Fernando, *En Banc*].

[174] *See Planters Products, Inc. v. Fertiphil Corp.*, 572 Phil. 270, 283 (2008) [Per J. Reyes, R.T., Third Division].

[175] *Id.*

[176] *See White Light Corp. v. City of Manila*, 596 Phil. 444, 467 (2009) [Per J. Tinga, *En Banc*].

Thus, not only did the City fail to prove that the reclassification of the subject property under the Zoning Ordinance is necessary to promote public welfare, it also failed to show that the means employed are not unduly oppressive to the Foundation. Hence, while We recognize the City's police power under the general welfare clause, We cannot sustain its exercise insofar as it impinged on the usufructuary rights that are vested to the Foundation.

As the Court held, "the policy of ensuring the autonomy of local governments [was not intended] to create an *imperium in imperio* and install intra-sovereign political subdivision independent of [the] sovereign state."[177] As agents of the state, local governments should bear in mind that the police power devolved to them by law must be, at all times, exercised in a manner consistent with the will of their principal.[178]

All told, the provisions of the Zoning Ordinance which infringed the Foundation's usufructuary rights under Proclamation No. 1670 are unconstitutional for being ultra vires, as they are contrary to a national law, unduly oppressive to the Foundation's vested rights, and an invalid exercise of police power. The City cannot, in the guise of such Zoning Ordinance, change the nature of the subject property, impose conditions which clearly restrict the usufruct, and ultimately prohibit the operations of the Foundation and its use of the premises for the purposes intended. To stress, an ordinance which is incompatible with any existing law or statute is *ultra vires*, hence, null and void.[179] A void ordinance cannot legally exist, it cannot have a binding force and effect.[180]

Notably, the Zoning Ordinance covers several other properties, *barangays,* avenues, and zones within Quezon City, not only the subject property upon which the Foundation is granted beneficial use. Since these several other properties affected by the Zoning Ordinance did not come before this Court for relief, as they might not have the same vested rights as the Foundation, *We deem it proper, therefore, to nullify only those provisions of the Zoning Ordinance which directly affect the Foundation, leaving the rest of the Zoning Ordinance valid. In other words, only those provisions which are in clear contravention of Proclamation No. 1670 are declared null and void.*

Notwithstanding the abovementioned pronouncements, and as We have previously noted, the Foundation had already been deprived of possession of the subject property due to the foreclosure and seizure by the City for alleged non-payment of real property taxes, and is already doing its business elsewhere.

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[177] *Batangas CATV, Inc. v. Court of Appeals*, 482 Phil. 544, 571 (2004) [Per J, Sandoval-Gutierrez, *En Banc*].
[178] *City of Batangas v. Philippine Shell Petroleum Corp.,* 810 Phil. 566, 569 (2017) [Per J. Caguioa, First Division].
[179] *See Manila Electric Company v. City of Muntinlupa*, 896 Phil. 137, 150 (2021) [Per J. Hernando, *En Banc*].
[180] *Id.* at 149.

Therefore, while We have nullified the provisions of the Zoning Ordinance that affect the Foundation, it would be futile to affirm the RTC's further directives to the City i.e., to issue a locational clearance and business permit since the Foundation has already transferred its operations to a different location.

It would also be impractical and prejudicial, as discussed above, to order the City to restore the Foundation to its possession of the subject property due to the present developments in the area, and due to the foreclosure sale which is presumed valid until nullified in a proper proceeding. To repeat, however, the Foundation, or NHA, is not precluded from bringing the proper action to nullify the foreclosure sale made by the City, recover possession of the subject property, and/or to seek damages when appropriate.

Thus, to summarize:

In the First Case, We hold that the City is estopped from questioning the Foundation's capacity to sue since it has dealt with the latter in its prior dealings, and issued locational clearances and business permits in favor of the Foundation until 2011. The City should not be permitted to assail the Foundation's capacity to sue as a corporation when it treated the latter as a duly existing entity and benefitted from its dealings with it for several years. Meanwhile, the Foundation's petition, which is treated as a petition for *certiorari* and prohibition, is granted, and the provisions of the Zoning Ordinance insofar as it contravene the usufructuary rights of the Foundation under Proclamation No. 1670 are declared unconstitutional, and thus, null and void.

This notwithstanding, the City or its officers may no longer be enjoined by an injunction to issue the locational clearance and business permit in favor of the Foundation since this has been rendered moot by the fact that the Foundation is not in possession of the subject property, and is already doing its business elsewhere.

In the Second Case, for the same reason, the City is estopped from impugning the Foundation's capacity to sue. Thus, the RTC and the CA erred in dismissing the Foundation's petition for prohibition based on that ground. Nevertheless, the Foundation's petition for prohibition and application for injunction cannot prosper as it has been rendered moot by the fact that the Foundation had already been dispossessed of the subject property; thus, there is nothing more for the courts to restrain or prevent.

ACCORDINGLY,

In **G.R. No. 208788:**

The Petition for Review on *Certiorari* dated October 9, 2013, filed by the Quezon City Government is **DENIED.** The Decision dated June 18, 2013, and the Resolution dated August 13, 2013, of the Regional Trial Court of Quezon City, Branch 96 in Special Civil Action No. Q-12-70830 are **AFFIRMED WITH MODIFICATIONS:**

The Petition (For Prohibition with Application for Preliminary Mandatory Injunction and Prohibitory Injunction and for a Temporary Restraining Order) dated February 20, 2012, filed by Manila Seedling Bank Foundation, Inc. against the Quezon City Government, shall be treated as a Petition for Prohibition and *Certiorari*, and is **GRANTED**. Accordingly, **the provisions of Ordinance No. SP-918, series of 2000, otherwise known as the Quezon City Zoning Ordinance, and Ordinance No. SP-1369, series of 2003 or the Amended Quezon City Zoning Ordinance, insofar as they infringe on the Manila Seedling Bank Foundation, Inc.'s usufructuary rights under Proclamation No. 1670**, are declared **NULL** and **VOID**. The rest of the ordinance will remain valid and subsisting.

The injunction issued by the Regional Trial Court commanding the Quezon City Government and its officers, agents, or representatives, to issue the locational clearance and business permit is **DISSOLVED** on the ground of mootness.

In **G.R. No. 228284:**

The Petition for Review on *Certiorari* dated November 25, 2016, and the Petition (For Prohibition and Injunction with Damages and with Application for a Writ of Preliminary Prohibitory and Mandatory Injunction and a Temporary Restraining Order) in SCA No. Q-12-71638, both filed by Manila Seedling Bank Foundation, Inc. against the Quezon City Government are **DISMISSED** on the ground of mootness.

The Manila Seedling Bank Foundation, Inc. is **NOT PRECLUDED** from instituting the proper action to declare null and void the foreclosure made by the Quezon City Government, recover possession of their property, and/or seek damages which they may have suffered because of the Quezon City Government's unlawful seizure and deprivation thereof.

SO ORDERED.

RAMON PAUL L. HERNANDO
Associate Justice

WE CONCUR:

see concurring opinion

ALEXANDER G. GESMUNDO
Chief Justice

see concurring opinion

MARVIC M. V. F. LEONEN
Associate Justice

On official leave
but left his vote
see Concurring and
Dissenting Opinion

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

AMY C. LAZARO-JAVIER
Associate Justice

HENRI JEAN PAUL B. INTING
Associate Justice

RODIL V. ZALAMEDA
Associate Justice

MARIO V. LOPEZ
Associate Justice

SAMUEL H. GAERLAN
Associate Justice

RICARDO R. ROSARIO
Associate Justice

JHOSEP Y. LOPEZ
Associate Justice

JAPAR B. DIMAAMPAO
Associate Justice

JOSE MIDAS P. MARQUEZ
Associate Justice

ANTONIO T. KHO, JR.
Associate Justice

MARIA FILOMENA D. SINGH
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, I certify that the conclusions in the above Decision were reached in consultation before the cases were assigned to the writer of the opinion of the Court.

ALEXANDER G. GESMUNDO
Chief Justice