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STATE OF MINNESOTA
IN COURT OF APPEALS
A07-0675

Collins Electrical Systems, Inc., d/b/a Collisys,
Appellant,

vs.

Redflex Traffic Systems, Inc.,
Respondent,

City of Minneapolis,
Respondent.

Filed April 8, 2008
Affirmed in part, reversed in part, and remanded
Schellhas, Judge

Hennepin County District Court
File No. 27-CV-06-16731

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Considered and decided by Halbrooks, Presiding Judge; Klaphake, Judge; and Schellhas, Judge.

U N P U B L I S H E D O P I N I O N

SCHELLHAS, Judge

Appellant challenges the district court's dismissal of its claims for (1) recovery under Minn. Stat. § 574.29 (2006) against respondent City of Minneapolis; (2) unjust enrichment against respondent Redflex Systems, Inc.; and (3) foreclosure of mechanic's liens against both respondents. Because we conclude that the district court erred in dismissing appellant's claim under Minn. Stat. § 574.29 and its unjust-enrichment claim, but did not err in dismissing appellant's attempts to foreclose on its mechanic's liens, we affirm in part, reverse in part, and remand.

FACTS

In 2005, respondent City of Minneapolis contracted with respondent Redflex Traffic Systems, Inc. to install and operate traffic light enforcement cameras (commonly known as "photo cop" cameras) at various intersections within the city. Redflex contracted with Network Electric, Inc., to install the camera systems. Network, which is not a party in this case, contracted with appellant Collins Electrical Systems, Inc., d/b/a Collisys, to work on the camera systems. Appellant completed the performance of its contractual work for Network in 2005, providing labor and materials claimed to have a value of more than $390,000.

Cities and other public bodies are required to obtain a payment bond when they contract for the performance of public work costing more than $75,000. Minn. Stat. § 574.26, subd. 2 (2006). The city did not obtain a payment bond for this project. Minnesota statutes, section 574.29 (2006), provides that a public body that fails to obtain

a payment bond is liable to all parties that provided labor or materials in performing the contract.

Network failed to make any payments to appellant. At one point during the project, Network requested that Redflex direct payment of $158,000 to a third party, St. Francis, that was not involved in the project.[1] For reasons not explained to this court, Redflex indulged Network's request; thus, instead of paying Network the $158,000 owed it, Redflex paid $158,000 to St. Francis. In its complaint, appellant argues that it is entitled to receive the $158,000 from Network and that Redflex was unjustly enriched by making the payment to a third party, St. Francis, instead of to Network or directly to appellant. While Redflex did make one $100,000 payment directly to appellant, appellant maintains that a balance of more than $290,000 remains unpaid.

Appellant filed an action in district court against the city for failure to obtain a payment bond under Minn. Stat. § 574.29; against Redflex for unjust enrichment; and against the city and Redflex to foreclose on mechanic's liens appellant filed against the real estate to which its labor and materials were provided. Redflex moved to dismiss appellant's action under Minn. R. Civ. P. 12, or, in the alternative, Minn. R. Civ. P. 56, and the city moved to dismiss appellant's action under Minn. R. Civ. P. 12.

[1] Redflex admits that St. Francis was owed money by Network in connection with other Redflex jobs. According to Network's e-mail to Redflex, when it requested that Redflex make payment to St. Francis, "the total owed to St. Francis for any and all Redflex jobs [was] $158,856.97." In fact, when Network requested that Redflex pay St. Francis, Network represented in its e-mail that the "revised Minneapolis invoices" totaled $161,708, and Network asked that Redflex pay St. Francis $158,856.97, "with the difference paid to Network."

The district court dismissed all of appellant's claims on the grounds that: (1) Redflex acquired no property interest in the real property upon which appellant filed its mechanic's liens; (2) the real property against which appellant filed its mechanic's liens cannot be subject to mechanic's liens because of the common-law "public use" exemption; (3) appellant failed to plead any facts showing that Redflex was unjustly enriched when it redirected the $158,000 payment to St. Francis at Network's request; and (4) appellant failed to plead that Network was insolvent at the time it defaulted on its obligations to appellant. Although the district court's order refers to the contract between the city and Redflex (the traffic contract) and to an affidavit provided by one of appellant's managers, the district court emphasizes that its order is one for dismissal under rule 12 and not one for summary judgment. Neither the traffic contract to which the district court refers nor the affidavit is attached to appellant's complaint, but the traffic contract is referred to in the complaint. Regarding the affidavit, the district court specifically said "[w]hile [it] is used to support some of the Court's comments and findings, the affidavit is never used in support of the Court's ultimate findings and conclusions."

D E C I S I O N

Our review of an appeal from a dismissal on the pleadings is de novo. *Lorix v. Crompton Corp.*, 736 N.W.2d 619, 623 (Minn. 2007); *Radke v. County of Freeborn*, 694 N.W.2d 788, 793 (Minn. 2005). In reviewing the legal sufficiency of a pleading, we accept all facts alleged in the complaint as true and make all reasonable inferences in favor of the non-moving party. *Lorix*, 736 N.W.2d at 623. The only question before us is

"whether the complaint sets forth a legally sufficient claim for relief." *Barton v. Moore*, 558 N.W.2d 746, 749 (Minn. 1997). A pleading need not allege facts in support of every cause of action, and may include broad, conclusory statements. *Id.*

Because the district court referred to the traffic contract and an affidavit in its decision, we must consider whether to treat the district court's dismissal of appellant's claims as an order granting summary judgment to respondents. "When matters outside the pleadings are presented to a court considering a motion to dismiss, and . . . are not excluded by the court when it makes its determination, the motion to dismiss shall be treated as one for summary judgment." *Fabio v. Bellomo*, 504 N.W.2d 758, 761 (Minn. 1993) (citing Minn. R. Civ. P. 12.02). But a district court may consider documents referred to in a complaint without converting the motion to dismiss to one for summary judgment. *N. States Power Co. v. Minn. Metro. Council*, 684 N.W.2d 485, 490-91 (Minn. 2004). Additionally, when a contract referred to in a complaint is central to the complaint, a district court may consider that contract in its decision to dismiss a case. *In re Hennepin County 1986 Recycling Bond Litig.*, 540 N.W.2d 494, 497 (Minn. 1995). Because the district court limited its review to the complaint and documents specifically referred to or attached to it, we will treat the district court's dismissal as one under rule 12, and not as an order granting summary judgment.

I. Did the District Court Err in Dismissing Appellant's Claim under Minn. Stat. § 574.29?

Minnesota statutes, sections 574.26-.32 (2006), protect parties who provide labor or materials in performing contract work for public bodies by requiring those public

bodies to obtain a bond from the contractors to cover payment to those parties, and section 574.29 provides that those public bodies are liable if they fail to obtain such a bond. A plaintiff seeking to hold a public body liable for failing to obtain a payment bond for contracted work must show that the contractor was insolvent when it defaulted on its obligation to the plaintiff. *Green Elec. Sys., Inc. v. Metro. Airports Comm'n*, 486 N.W.2d 819, 823 (Minn. App. 1992), *review denied* (Minn. Aug. 27, 1992). The district court dismissed appellant's claim for relief under Minn. Stat. § 574.29, ruling that although appellant pleaded that Network is insolvent, its pleading was inadequate because appellant did not plead that Network "was insolvent *at the time Network Electric defaulted in its payments to Collisys.*" (Emphasis in original.) In support of its dismissal, the district court noted that in addition to failing to allege Network's insolvency at the time of default, appellant had "made no such argument in its opposition memorandum" but "only states that it 'obtained a default judgment against Network in the federal district court action but has not been able to collect the judgment balance to date.'" Whether or not appellant's pleading is fatally inadequate is not dependent upon arguments or proof submitted to the district court. As previously noted, the only question before us is whether the complaint sets forth a legally sufficient claim for relief. *Barton*, 558 N.W.2d at 749.

Minnesota is a notice-pleading state that does not require absolute specificity in pleadings. *Meyer v. Best W. Seville Plaza Hotel*, 562 N.W.2d 690, 692 (Minn. App. 1997) (citing Minn. R. Civ. P. 8.01 and *Roberge v. Cambridge Coop. Creamery Co.*, 243 Minn. 230, 232, 67 N.W.2d 400, 402 (1954)), *review denied* (Minn. June 26, 1997).

Instead of absolute specificity, Minnesota requires that a pleading include a sufficient basis of facts to give fair notice to the opposing party of the claims raised against it. *Id.* In this case, the portion of appellant's complaint that seeks relief under Minn. Stat. § 574.29 refers to the statute itself and alleges facts that satisfy the elements of a claim under it. Regarding Network's insolvency, appellant's complaint, paragraph 38, reads:

> As a result of the City's violation of the [Public Contractors Performance and Payment Bond] Act, and Network Electric's insolvency, [appellant] has incurred losses, in an amount to be determined at trial, but believed to be at least the principal amount which remains unpaid of $190,960, together with interest, costs and attorney fees.

Although the language lacks a specific allegation that Network was insolvent *at the time* it defaulted on its obligation to appellant, we liberally construe appellant's pleadings to insure that the defending party is given adequate notice of the claim. *See L.K. v. Gregg*, 425 N.W.2d 813, 819 (Minn. 1988) ("The rules do not require adherence to a mechanistic and rigid formula."); *Midwest Family Mut. Ins. Co. v. Schmitt*, 651 N.W.2d 843, 846 (Minn. App. 2002) (stating that "pleadings are liberally and broadly construed"). Because the rules of civil procedure do not require a mechanistic and rigid formula for pleadings and because appellant's pleading as to Network's insolvency fairly put the city on notice of the claim against it, we reverse the district court's dismissal of this claim.

II. Did the District Court Err in Dismissing Appellant's Unjust-Enrichment Claim against Redflex?

The elements of an unjust-enrichment claim are: (1) a benefit conferred by the plaintiff on the defendant; (2) the defendant's knowing acceptance of the benefit; and (3) the defendant's acceptance and retention of the benefit where it would be inequitable

to retain it without paying for it. *Acton Constr. Co. v. State*, 383 N.W.2d 416, 417 (Minn. App. 1986), *review denied* (Minn. May 22, 1986). An unjust-enrichment claim must include facts alleging that the defendant's acts were unjust, i.e., "something of value for which the defendant 'in equity and good conscience' should pay." *ServiceMaster of St. Cloud v. GAB Bus. Servs. Inc.*, 544 N.W.2d 302, 306 (Minn. 1996) (quoting *Klass v. Twin City Fed. Sav. & Loan Ass'n*, 291 Minn. 68, 71, 190 N.W.2d 493, 494-95 (1971)).

In its complaint, appellant stated that at Network's request, Redflex paid $158,000 owed to Network to St. Francis, a third party, and that instead, Redflex should have paid this money to appellant. Although the complaint does not specifically allege how Redflex was benefited by this transaction or how the benefit to Redflex was unjust, we recognize that when Redflex brought its motion for dismissal before the district court, appellant had not yet had an opportunity to conduct discovery.[2] When reasonable inferences from facts alleged in a complaint support a claim, that claim should survive dismissal. *Lorix*, 736 N.W.2d at 623; *see Stephenson v. Plastics Corp. of Am.*, 276 Minn. 400, 410-11, 150 N.W.2d 668, 676-77 (1967) (holding that where the facts in a pleading allow for a reasonable inference that supports a claim, the pleading is not defective). Based on the facts alleged in the complaint, a reasonable inference can be made that supports appellant's claim that Redflex gained some benefit when it redirected the $158,000 payment to St. Francis for work performed in connection with other Redflex

[2] When appellant's counsel argued before the district court against dismissal of appellant's unjust-enrichment claim, he emphasized that no discovery had yet been conducted in this case, nor had it been conducted in the previous federal interpleader case that resulted in appellant's default judgment against Network.

projects, while preventing appellant's access to, or attachment of, the funds had they been paid to Network. Because appellant received none of the funds paid to St. Francis, and therefore no benefit from the funds, any benefit to Redflex by making the payment to St. Francis is arguably unjust. Drawing all assumptions and inferences in favor of appellant, facts may be revealed through the discovery process that will support appellant's unjust-enrichment claim against Redflex, and therefore we reverse the district court's dismissal of this claim.

III. Did the District Court Err in Dismissing Appellant's Mechanic's-Lien-Foreclosure Count?

The district court correctly dismissed appellant's attempt to prosecute its mechanic's liens against the city's property or the improvements made by appellant on the property. Although a complaint need not be specific in order to survive dismissal, it must set forth a claim on which legal relief can be granted. *614 Co. v. Minneapolis Cmty. Dev. Agency*, 547 N.W.2d 400, 405 (Minn. App. 1996). If a district court finds with certainty that the plaintiff could present no facts consistent with the complaint that could establish a right to relief, dismissal of the complaint is proper under rule 12. *Id.* In this case, regardless of any facts appellant might be able to present, appellant's right to pursue prosecution and foreclosure of its mechanic's liens against the city's property turns on whether, in this case, the city's property can be subject to the appellant's mechanic's liens. Because the city's property at issue in this case is public property, i.e., public street intersections in downtown Minneapolis, the property cannot be subject to mechanic's liens. *See Jordan v. Bd. of Educ.*, 39 Minn. 298, 299, 39 N.W. 801, 801-02 (1888)

(holding that a public schoolhouse is not lienable); *Comstock & Davis, Inc. v. City of Eden Prairie*, 557 N.W.2d 213, 215 (Minn. App. 1997), *review denied* (Minn. Mar. 18, 1997) (recognizing that quintessentially public land is not lienable).

Mechanic's liens are creatures of statute and exist only because of the statute creating them. *Dolder v. Griffin*, 323 N.W.2d 773, 780 (Minn. 1982). The purpose of the mechanic's lien statute is to protect those who furnish services with respect to real property, including contractors and subcontractors, by enabling them to secure liens on that property for the value of their services. Minn. Stat. §§ 514.01, .03 (2006). Public property is not necessarily exempt from mechanic's liens under the mechanic's lien statute. *Comstock*, 557 N.W.2d at 215. But where real property is of a "*quintessentially* public" nature, courts have long exempted such property from mechanic's liens. *Id.* (emphasis added). The purpose of this exemption is to prevent the forced sale of such property, which "would impermissibly hamper municipalities' ability to administer the local affairs of state government." *Id.*

In this case, the real property in question consists of public street intersections in the City of Minneapolis; thus, the property is quintessentially public. Furthermore, the applicability of the payment-bond statute, on which appellant relies for relief in count three of its complaint, reveals that the subject real property is not subject to appellant's mechanic's liens. The Minnesota Supreme Court has stated that the purpose of a payment-bond statute is to protect the interests of those performing "public work to which the mechanics' lien statute does not apply." *Wilcox Lumber Co. v. Sch. Dist. No. 268 of Otter Tail County*, 103 Minn. 43, 45, 114 N.W. 262, 263 (Minn. 1907).

Therefore, we conclude that the Minneapolis public-street intersections are not subject to appellant's mechanic's liens under the mechanic's-lien statute.

Appellant argues that if the real property on which it contributed its labor and materials is not lienable, it should be permitted to prosecute its mechanic's liens against the personal-property improvements, and not the real property. Mechanic's liens can attach to improvements if they are permanent fixtures attached to the real estate and cannot "be removed without loss to the freehold." *Knoff Woodwork Co. v. Zotalis*, 213 Minn. 204, 206-07, 6 N.W.2d 264, 265 (1942). But Minn. Stat. § 514.01 authorizes mechanic's liens "against the improvement *and the land*", not against improvements alone, and appellant cites no caselaw supporting the principle that improvements are lienable when the land they occupy is not. (Emphasis added.) Furthermore, the same policy that prohibits mechanic's liens on quintessentially public land prohibits liens on quintessentially public improvements as well. *See Burlington Mfg. v. Bd. of Courthouse & City Hall Commr's*, 67 Minn. 327, 327, 69 N.W. 1091, 1091 (1897) (holding that public buildings on public land are exempt from liens); *Jordan*, 39 Minn. at 299, 39 N.W. at 801-02 (holding that a public schoolhouse is not subject to a mechanic's lien). The rationale of the *Jordan* court, which the *Burlington* court followed, centered on the importance of protecting quintessentially public assets, land or otherwise, from forced sale. The improvements in this case, even if they were independently lienable, were completed for the purpose of enforcing traffic laws and, thus, are of a quintessentially public nature.

Appellant also argues that Redflex has a lienable interest in the intersections, and that appellant should be able to prosecute its mechanic's liens against that interest. In its complaint, appellant specifically claims that the traffic contract gave Redflex a leasehold interest in the intersections. Leasehold interests may be subject to mechanic's liens. *Moorhead Lumber Co. v. Remington Packing Co*., 165 Minn. 411, 413, 206 N.W. 653, 654 (1925). The district court was entitled to consider the traffic contract in determining the validity of appellant's claim that a leasehold existed here because the contract was referred to in the complaint and was central to it. *See In re Hennepin County 1986 Recycling Bond Litig.*, 540 N.W.2d at 497 (a district court may consider a contract central to a complaint when considering a motion to dismiss the complaint). The district court noted that the traffic contract was specifically designated as a license agreement, not a lease. Whether an agreement is a lease or a license depends on the intentions of its parties. *LaSalle Cartage Co. v. Johnson Bros. Wholesale Liquor Co.*, 302 Minn. 351, 355, 225 N.W.2d 233, 236 (1974). But a lease requires at least the conveyance of land or tenements in return for consideration. *State v. Bowman*, 202 Minn. 44, 46, 279 N.W. 214, 215 (1938) ("A lease is a conveyance of lands or tenements, for a term less than the party conveying has in the premises, in consideration of rent or other recompense."); *Love v. Amsler*, 441 N.W.2d 555, 558 (Minn. App. 1989), *review denied* (Minn. Aug. 15, 1989). Given that the traffic contract, which appellant claims created a leasehold, contains no such terms, the district court was justified in finding that Redflex had no leasehold on which appellant could foreclose a lien. But even if Redflex did have a

leasehold interest in the city's real property, the real property is public land and, as such, would not be subject to foreclosure of appellant's mechanic's liens.

Appellant argues, alternatively, that Redflex acquired some other unspecified interest in the property, created by the traffic contract or otherwise, against which appellant can obtain a lien. With the exception of quintessentially public property, any interest in real property that can be sold or transferred is lienable. *Dunham Assocs., Inc. v. Group Inv., Inc.*, 301 Minn. 108, 118, 223 N.W.2d 376, 383 (1974). The district court dismissed this claim, however, finding that appellant did not adequately plead that Redflex had any other property interests in the intersections.

The traffic contract does reserve for Redflex the right to access and to maintain its equipment and remove it upon termination of the traffic contract. Appellant argues that reserving these rights gives Redflex a lienable interest, such as an easement, in the intersections. But simply reserving certain rights does not give an easement in city property unless the traffic contract reflects the intent between the parties to create an easement. *Pine Valley Meats v. Canal Capital Corp.*, 566 N.W.2d 357, 362 (Minn. 1997), *review denied* (Minn. Sept. 18, 1997). This traffic contract does not do so. Moreover, a claim cannot survive dismissal if the complaint fails to allege facts in support of it. *See Rohricht v. O'Hare*, 586 N.W.2d 587, 588 (Minn. App. 1998) (holding that a complaint requires allegations of supporting facts), *review denied* (Minn. Feb. 24, 1999). Other than alleging that the traffic contract gave Redflex a leasehold in the intersections, which it did not, appellant fails to allege any other facts in its complaint from which it could be inferred that Redflex had a lienable interest in the city's property.

The district court dismissed appellant's mechanic's-lien foreclosure count with prejudice. We review a district court's dismissal of a claim with prejudice under an abuse-of-discretion standard. *Minn. Humane Soc'y v. Minn. Federated Humane Soc'ys*, 611 N.W.2d 587, 590 (Minn. App. 2000). Where factual allegations in a pleading fail to support a claim, a district court does not abuse its discretion in dismissing that claim with prejudice. *N. States Power Co.*, 684 N.W.2d at 490-91 (holding that dismissal with prejudice is appropriate where factual allegations in a pleading fail to support a claim). We conclude that neither the real property nor the improvements upon it are subject to appellant's mechanic's liens or any other liens and that the district court properly dismissed appellant's mechanic's-lien-foreclosure count with prejudice.

Therefore, we affirm the district court's dismissal of appellant's mechanic's-lien-foreclosure count with prejudice.

Affirmed in part, reversed in part, and remanded.