STATE OF MINNESOTA
IN COURT OF APPEALS
A13-1741

City of Oronoco,
Appellant,

vs.

Fitzpatrick Real Estate, LLC, et al.,
Respondents.

Filed March 31, 2014
Affirmed
Klaphake, Judge[*]

Olmsted County District Court
File No. 55-CV-10-6728

Mary D. Tietjen, Peter G. Mikhail, Kennedy & Graven, Chartered, Minneapolis, Minnesota (for appellant)

Daniel J. Heuel, O'Brien & Wolf, L.L.P., Rochester, Minnesota (for respondents)

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

[*] Retired judge of the Minnesota Court of Appeals, serving by appointment pursuant to Minn. Const. art. VI, § 10.

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

KLAPHAKE, Judge

Appellant City of Oronoco (the city) challenges the district court's order awarding damages to respondents[1] Fitzpatrick for costs incurred in building a well for appellant, arguing that the district court erred by applying the doctrine of unjust enrichment when there were valid contracts between the parties. We affirm.

D E C I S I O N

"[T]he existence and terms of a contract are questions for the fact finder." *Morrisette v. Harrison Int'l Corp.*, 486 N.W.2d 424, 427 (Minn. 1992). But "[w]hen the intent of the parties can be determined from the writing of the contract, the construction of the instrument is a question of law for the court to resolve, and this court need not defer to the district court's findings." *Alpha Real Estate Co. of Rochester v. Delta Dental Plan of Minn.*, 671 N.W.2d 213, 221 (Minn. App. 2003) (quotation omitted), *review denied* (Minn. Jan. 20, 2004). We review a district court's application of the law de novo, *In re Collier*, 726 N.W.2d 899, 803 (Minn. 2007), and its equitable determinations for an abuse of discretion, *City of N. Oaks v. Sarpal*, 797 N.W.2d 18, 23 (Minn. 2011).

The district court made extensive findings of fact in this case, which appellant does not challenge. Among its factual findings, the district court determined that the city agreed to pay Fitzpatrick for building a well by crediting Fitzpatrick a certain sum for each lot developed in a subdivision consisting of 225 lots, to be developed in multiple

[1] Respondents include Fitzpatrick Real Estate, LLC; Fitzpatrick Construction, Inc.; Utility Services of Oronoco LLC; Olmsted County Utility Services; and Daniel Fitzpatrick (collectively "Fitzpatrick").

phases. The city did not breach the development agreements governing development of the first four phases of the subdivision, having properly credited all per lot reimbursements for 101 lots to Fitzpatrick. But, for unforeseen economic reasons, the development of the remaining lots was not possible and, therefore, the per lot credit reimbursement scheme failed. Although the per lot reimbursement scheme was set forth in sufficient detail for the first four phases of development, the agreements are silent as to what would happen if the reimbursement scheme failed, and the parties did not contemplate such a failure. The district court also found that the city received the well as contracted, without fully reimbursing Fitzpatrick as contemplated in the contract, and that the parties' agreements neither provide that the city would get the well for a lesser cost if the remaining lots were not developed, nor did they provide for an alternative form of reimbursement. The district court found that this was a mistake by the parties that unfairly enriched the city. These factual findings, along with the fact that there were no outstanding agreements to develop the remaining, incomplete phases of development, support the district court's legal conclusion that the contracts are incomplete and do not cover the current circumstances in which the city received the well without paying Fitzpatrick in full for the cost of constructing the well.[2]

Unjust enrichment is an equitable doctrine used to establish a right of recovery when the rights of the parties are not governed by a valid contract, as is the case here due

[2] The city also argues on appeal that the district court erred in its application of the doctrine of impossibility by determining that the per-lot reimbursement scheme was rendered impossible due to economic conditions. But because the district court found that there is no controlling contract, Fitzpatrick was not excused from performance of a contractual obligation, and the district court did not misapply this doctrine.

to the incomplete nature of the agreements. *U.S. Fire Ins. Co. v. Minn. State Zoological Bd.*, 307 N.W.2d 490, 497 (Minn. 1981); *Southtown Plumbing, Inc. v. Har-Ned Lumber Co.*, 493 N.W.2d 137, 140 (Minn. App. 1992). The equitable doctrine of unjust enrichment, or quasi-contract, is not based on the intentions of the parties or their promises, but is obligations and remedies created and imposed by law "to prevent unjust enrichment at the expense of another." *Lundstrom Const. Co v. Dygert*, 254 Minn. 224, 231, 94 N.W.2d 527, 533 (Minn. 1959); *see Caldas v. Affordable Granite & Stone, Inc*, 820 N.W.2d 826, 838 (Minn. 2012) (stating that unjust enrichment is an equitable doctrine commonly referred to as a quasi-contract). To establish a claim for unjust enrichment, a claimant

> must show that the [other party] has knowingly received or obtained something of value for which [that party] in equity and good conscience should pay. Unjust enrichment claims do not lie simply because one party benefits from the efforts or obligations of others, but instead it must be shown that a party was unjustly enriched in the sense that the term "unjustly" could mean illegally or unlawfully.

ServiceMaster of St. Cloud v. GAB Bus. Servs., Inc., 544 N.W.2d 302, 306 (Minn. 1996) (quotations omitted). This court set forth three requirements for unjust enrichment: "(1) a benefit [was] conferred by the plaintiff on the defendant; (2) the defendant accept[ed] the benefit; [and] (3) the defendant retain[ed] the benefit although retaining it without payment is inequitable." *Zinter v. Univ. of Minn.*, 799 N.W.2d 243, 247 (Minn. App. 2011). "An action for unjust enrichment may be based on failure of consideration, fraud, mistake, and situations where it would be morally wrong for one party to enrich himself

at the expense of another." *Anderson v. DeLisle*, 352 N.W.2d 794, 796 (Minn. App. 1984), *review denied* (Minn. Nov. 8, 1984).

The city argues that it did not engage in fraudulent or immoral conduct, attempting to distinguish the facts of this case from those in *Anderson*, and maintains that it would not receive a windfall from holding Fitzpatrick to the per lot reimbursement scheme, "but instead would get the benefit of the exact bargain it struck with Fitzpatrick." The city acknowledges that it intended to fully reimburse Fitzpatrick, although not in a lump sum payment, and it contends that Fitzpatrick's decision not to complete the development caused the city's inability to fulfill the per-lot credit reimbursement scheme negotiated by the parties. Though the city may not have anticipated a windfall, as the defendants in *Anderson* did, it received the well without fully reimbursing Fitzpatrick for his costs in providing the well.

Fitzpatrick conferred a benefit on the city by building the well. The city now owns and controls that well, receiving the full benefits of ownership, despite having paid Fitzpatrick for less than the full costs he incurred in providing this benefit. Fitzpatrick built the well with the reasonable expectation, held by both parties, that he would be reimbursed the full anticipated cost of $260,000. The city's intent to reimburse Fitzpatrick in a specific way does not negate the fact that it has been enriched at Fitzpatrick's expense by taking ownership of the well without paying the full amount it expected to pay. The district court did not err in its determination that Fitzpatrick is entitled to equitable relief.

Affirmed.