

SUPREME COURT OF MINNESOTA

Housing & Redevelopment Authority of the City of St. Paul v.
Lambrecht

663 N.W.2d 541 (Minn. 2003) · No. C7-01-1919 · Decided June 26, 2003

SUMMARY

The Minnesota Supreme Court reviewed whether a commercial lessee could recover going-concern damages arising from the condemnation of its leased restaurant and brewery premises. The court held that the lease's condemnation clause terminated the lessee's interest in the property and therefore barred recovery of going-concern damages. The court also held that the lessee failed as a matter of law to establish a compensable loss under Minnesota's two-prong going-concern test and affirmed summary judgment for the condemning authority.

CASE DETAILS

COURT	Supreme Court of Minnesota
WRITING FOR THE COURT	Meyer, Justice; Anderson, Justice; Gilbert, Justice; Hanson, Justice; Page, Justice
JURISDICTION	Minnesota
DECIDED	June 26, 2003
DOCKET	C7-01-1919
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The Minnesota Supreme Court granted review of the court of appeals' reversal of partial summary judgment for the Housing and Redevelopment Authority on a lessee's claim for loss-of-going-concern damages in a condemnation proceeding.
STANDARD OF REVIEW	The court reviewed contractual interpretation de novo and reviewed summary judgment to determine whether genuine issues of material fact existed, whether either party was entitled to judgment as a matter of law, and whether the lower court misapplied the law.
PRECEDENTIAL VALUE	published_precedential
PARTIES	Housing and Redevelopment Authority of the City of St. Paul v. Shannon Kelly's, Inc.

TOPICS

eminent domain damages contracts municipal law appellate procedure

PRACTICE AREAS

eminent domain real estate contracts constitutional law appellate procedure

QUESTIONS PRESENTED

1. Whether the condemnation clause in Shannon Kelly's lease terminated the lessee's interest in the condemned property and barred a claim for loss-of-going-concern damages.
2. Whether the district court properly granted summary judgment because Shannon Kelly's failed to establish a compensable loss-of-going-concern interest under the two-prong Schutt test.
3. Whether the court or the jury must apply the Schutt factors to determine whether a compensable interest was taken.

HOLDINGS

1. A lease provision terminating the lease upon condemnation and assigning all condemnation proceeds to the lessor terminated Shannon Kelly's interest in the property at the time of condemnation and barred its claim for loss-of-going-concern damages.
2. Shannon Kelly's failed as a matter of law to establish that its business could not be relocated as a practical matter or that relocation would cause irreparable harm; therefore, summary judgment for HRA was proper.
3. The court, not the jury, must apply the Schutt two-prong test as a matter of law to determine whether a compensable interest exists before submitting the amount of damages to the jury.

KEY QUOTATIONS

"We hold that the condemnation provision in the lease agreement terminated Shannon Kelly's interest in the property at the time of condemnation and therefore it did not have an interest in the condemned property." (at 547)

"We conclude that the court, not the jury, has the power to apply the Schutt factors to determine whether a compensable interest exists." (at 549)

"We reverse the court of appeals and hold that the district court must apply the Schutt two-prong test to any claim for loss of going concern as a matter of law before submitting damages to the jury." (at 549)

FACTUAL BACKGROUND

Shannon Kelly's operated a restaurant and brewery at 395 Wabasha in downtown St. Paul, a property included in the City's condemnation of Block 39. After the condemnation process began, Shannon Kelly's entered a lease with the new owner containing a clause terminating the lease upon condemnation and assigning condemnation proceeds to the lessor. Commissioners included \$77,000 for going-concern value in the condemnation award, but

the district court granted HRA summary judgment after finding that the lease barred the claim and that the business had not shown it could not relocate or would suffer irreparable harm from relocation.

PROCEDURAL HISTORY

The district court granted HRA partial summary judgment, concluding that Shannon Kelly's could not establish a compensable loss-of-going-concern claim and that the lease's condemnation clause independently barred recovery. The court of appeals reversed on the lease, relocation-benefits, and going-concern grounds. The Minnesota Supreme Court granted review limited to whether Shannon Kelly's could recover loss-of-going-concern value, reversed the court of appeals, and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The court of appeals' decision was reversed and the matter was remanded for further proceedings consistent with the Supreme Court's opinion, including the district court's grant of summary judgment for HRA.

CASES CITED

- State v. Saugen, 283 Minn. 402, 169 N.W.2d 37 (1969)
- Progressive Specialty Ins. Co. v. Widness ex rel. Widness, 635 N.W.2d 516 (Minn. 2001)
- United States v. Petty Motor Co., 327 U.S. 372 (1946)
- Naegle Outdoor Advertising Co. of Minnesota, Inc. v. Village of Minnetonka, 281 Minn. 492, 162 N.W.2d 206 (1968)
- Korengold v. City of Minneapolis, 254 Minn. 358, 95 N.W.2d 112 (1959)
- Pergament v. Loring Properties, Ltd., 599 N.W.2d 146 (Minn. 1999)
- Lubbers v. Anderson, 539 N.W.2d 398 (Minn. 1995)
- Kimball Laundry Co. v. United States, 338 U.S. 1 (1949)
- City of Minneapolis v. Schutt, 256 N.W.2d 260 (Minn. 1977)
- State v. Prow's Motel, Inc., 285 Minn. 1, 171 N.W.2d 83 (1969)
- City of Detroit v. Michael's Prescriptions, 143 Mich. App. 808, 373 N.W.2d 219 (1985)
- City of Lansing v. Wery, 68 Mich. App. 158, 242 N.W.2d 51 (1976)
- Housing & Redevelopment Authority of the City of St. Paul v. Lambrecht, 645 N.W.2d 157 (Minn. App. 2002)