

SUPREME COURT OF TEXAS

Houston Unlimited, Inc. Metal Processing v. Mel Acres Ranch

443 S.W.3d 820 (Tex. 2014) · No. No. 13-0084 · Decided August 22, 2014

SUMMARY

The Supreme Court of Texas considered whether a landowner could recover diminution-in-value damages based on stigma allegedly remaining after environmental contamination had subsided. The court did not decide whether Texas law recognizes such stigma damages, holding instead that the landowner’s expert testimony was legally insufficient to establish the amount of lost market value or its causal connection to the defendant’s conduct. The court reversed the lower courts’ judgment and rendered a take-nothing judgment for Houston Unlimited.

CASE DETAILS

COURT	Supreme Court of Texas
WRITING FOR THE COURT	Justice Boyd; Justice Brown did not participate
JURISDICTION	Texas
DECIDED	August 22, 2014
DOCKET	No. 13-0084
DISPOSITION	reversed
PROCEDURAL POSTURE	Mel Acres Ranch sued Houston Unlimited for nuisance, trespass, and negligence arising from alleged environmental contamination. The jury found negligence and awarded \$349,312.50 for diminution in market value. The trial court entered judgment on the verdict, and the court of appeals affirmed. The Texas Supreme Court granted review.
STANDARD OF REVIEW	Legal sufficiency review. The court examined whether legally competent evidence supported the jury's damages finding and whether the expert's opinion had a reliable factual and analytical basis.
PRECEDENTIAL VALUE	Published opinion of the Supreme Court of Texas; binding precedent on the legal-sufficiency and expert-evidence principles decided.
PARTIES	Houston Unlimited, Inc. Metal Processing v. Mel Acres Ranch

TOPICS

- negligence
- damages
- expert testimony
- evidence
- environmental law

PRACTICE AREAS

Tort law

Environmental contamination

Expert testimony

Property damages

QUESTIONS PRESENTED

1. Whether the evidence was legally sufficient to support the jury's award of lost market value based on alleged environmental stigma.
2. Whether the landowner's expert appraisal testimony was legally competent and supported by a reliable factual basis and analytical methodology.
3. Whether the court should decide the broader issue of whether Texas recognizes recovery of stigma damages after temporary environmental contamination has subsided.

HOLDINGS

1. The evidence was legally insufficient to support the award of lost market value because the landowner's only damages evidence was conclusory expert testimony lacking a reliable factual and analytical foundation.
2. An expert cannot establish diminution in property value through a sales-comparison approach without using genuinely comparable properties or reliably accounting for material differences between the subject and comparison properties.
3. A sweetheart transaction intended to provide a special benefit to one party is not an arm's-length transaction and cannot, without more, establish fair market value for purposes of a comparable-sales analysis.

KEY QUOTATIONS

"But if no basis for the opinion is offered, or the basis offered provides no support, the opinion is merely a conclusory statement and cannot be considered probative evidence, regardless of whether there is no objection." (at 827)

"Although we have found no authorities involving the percentage-reduction approach that McKinney used here, we do not hold that it could never be used to reach a reliable opinion on diminution damages." (at 834)

"Because Mel Acres offered no other evidence of the ranch's lost market value or its cause, we must conclude that the evidence is legally insufficient to support the damages awarded in this case." (at 847)

FACTUAL BACKGROUND

Rainwater from Houston Unlimited's metal-processing facility flowed through a culvert into a stock tank on Mel Acres Ranch. Environmental testing revealed various contaminants exceeding state action levels, and the Texas Commission on Environmental Quality found regulatory violations and ordered cleanup-related measures. Houston Unlimited stopped the alleged dumping, constructed a berm, repaired leaking pipes, and performed additional assessments; later testing found no ongoing adverse impact on water quality, although some contaminants remained in sediment. Mel Acres sought only diminution in the fair market value of the entire

ranch based on alleged residual environmental stigma, relying principally on an appraiser's comparison to two other properties.

PROCEDURAL HISTORY

The trial court submitted negligence, nuisance, trespass, and damages questions to the jury. The jury rejected permanent nuisance and permanent-injury trespass claims but found negligence causing a loss in market value. The trial court entered judgment for Mel Acres, the court of appeals affirmed, and the Texas Supreme Court reversed and rendered judgment for Houston Unlimited.

DISPOSITION

reversed

CASES CITED

- E-Z Mart Stores, Inc. v. Ronald Holland's A-Plus Transmission & Automotive, Inc., 358 S.W.3d 665, 669 (Tex. App.—San Antonio 2011, pet. denied)
- Smith v. Carbide & Chemicals Corp., 226 S.W.3d 52, 55 (Ky. 2007)
- Schneider National Carriers, Inc. v. Bates, 147 S.W.3d 264, 276 (Tex. 2004)
- Kraft v. Langford, 565 S.W.2d 223, 227 (Tex. 1978)
- Natural Gas Pipeline Co. v. Justiss, 397 S.W.3d 150, 155-56, 161 (Tex. 2012)
- Bayouth v. Lion Oil Co., 671 S.W.2d 867, 868 (Tex. 1984)
- Ludt v. McCollum, 762 S.W.2d 576, 576 (Tex. 1988)
- Parkway Co. v. Woodruff, 901 S.W.2d 434, 441 (Tex. 1995)
- American Manufacturers Mutual Insurance Co. v. Schaefer, 124 S.W.3d 154, 162 (Tex. 2003)
- Bradley v. Armstrong Rubber Co., 130 F.3d 168, 176 (5th Cir. 1997)
- Gray v. Southern Facilities, Inc., 183 S.E.2d 438, 444 (S.C. 1971)
- Guadalupe-Blanco River Authority v. Kraft, 77 S.W.3d 805, 807-08 (Tex. 2002)
- City of San Antonio v. Pollock, 284 S.W.3d 809, 816, 818-20 (Tex. 2009)
- Coastal Transport Co. v. Crown Central Petroleum Corp., 136 S.W.3d 227, 232 (Tex. 2004)
- Burrow v. Arce, 997 S.W.2d 229, 235 (Tex. 1999)
- City of Harlingen v. Estate of Sharboneau, 48 S.W.3d 177, 182-83 (Tex. 2001)
- Merrell Dow Pharmaceuticals, Inc. v. Havner, 953 S.W.2d 706, 713-14 (Tex. 1997)
- Whirlpool Corp. v. Camacho, 298 S.W.3d 631, 637, 642 (Tex. 2009)
- French v. Occidental Permian Ltd., opinion cited without reporter pagination in source
- Jelinek v. Casas, 328 S.W.3d 526, 536 (Tex. 2010)
- Cherokee Water Co. v. Gregg County Appraisal District, 801 S.W.2d 872, 874 (Tex. 1990)
- TXI Transportation Co. v. Hughes, 306 S.W.3d 230, 237-40 (Tex. 2010)
- Burroughs Wellcome Co. v. Crye, 907 S.W.2d 497, 499-500 (Tex. 1995)

- Cooper Tire & Rubber Co. v. Mendez, 204 S.W.3d 797, 800-01, 804 (Tex. 2006)
- Wal-Mart Stores, Inc. v. Merrell, 313 S.W.3d 837, 839-40 (Tex. 2010)
- General Motors Corp. v. Iracheta, 161 S.W.3d 462, 470 (Tex. 2005)
- Sage Street Associates v. Northdale Construction Co., 863 S.W.2d 438, 449 (Tex. 1993)
- Volkswagen of America, Inc. v. Ramirez, 159 S.W.3d 897, 904-06, 911-12 (Tex. 2004)
- Mack Trucks, Inc. v. Tamez, 206 S.W.3d 572, 581 (Tex. 2006)
- McIntyre v. Ramirez, 109 S.W.3d 741, 749-50 (Tex. 2003)

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