

STATE OF MINNESOTA
COUNTY OF HENNEPIN

DISTRICT COURT
FOURTH JUDICIAL DISTRICT
Case Type: Breach of Contract

City of Minneapolis,

Plaintiff,

v.

Detroit Renovations, LLC,

Defendant.

Court File No.:

COMPLAINT

JURY TRIAL DEMANDED

For its Complaint, the City of Minneapolis states and alleges as follows:

PARTIES

1. Plaintiff City of Minneapolis (“Plaintiff” or “City”) is a municipal corporation and political subdivision of the State of Minnesota.

2. Defendant Detroit Renovations, LLC (“Defendant”), is a limited liability company organized under the laws of the State of Minnesota with its principal place of business located at 1350 Lagoon Avenue South, Suite 900, Minneapolis, MN 55408.

JURISDICTION AND VENUE

3. Jurisdiction and venue lie in Hennepin County District Court because Defendant conducts business in Hennepin County, Minnesota and the events giving rise to the City’s claims occurred in Hennepin County, Minnesota. In addition the real property that is at the center of this dispute is located in Hennepin County, Minnesota.

FACTUAL ALLEGATIONS

The City acquired the Property and authorized its conveyance to Defendant for redevelopment

4. The City acquired certain real property for private development located at 1522 Hillside Avenue North, Minneapolis, Hennepin County, Minnesota (the "Property"). A legal description of the property is attached hereto as Exhibit A.

5. The Property was a tax-forfeited property acquired by the City from the State of Minnesota through the tax-forfeited property acquisition program administered by Hennepin County.

6. The City, pursuant to Minnesota Statutes, Sections 469.001 -469.047, 469.124 - 469.134 and 469.17 4 - 469 J 79, as amended (the "Redevelopment Laws"), and pursuant to Minneapolis Code of Ordinances, Title 16, Chapter 415 (the "Ordinance"), had the authority to sell the Property for private development.

7. In order to bring about redevelopment of the Property in accordance with the Redevelopment Laws and the Ordinance, the City Council on March 29, 2013, (the "Council Action") authorized the City to enter into an agreement with Defendant to convey the Property to the Defendant for development of a single family home project on the Property. A copy of the Council Action is attached hereto as Exhibit B.

The City and Defendant enter a contract for sale and redevelopment of the Property

8. Pursuant to the Council Action, on April 18, 2013, the City and Defendant entered into a Contract for Sale of City Development Property ("Contract"). A copy of the Contract is attached hereto as Exhibit C.

9. In the Contract, Defendant agreed to develop the Property for use as a single family home. Specifically, in Section 5.02 of the Contract, Defendant agreed to make certain improvements (“Minimum Improvements”) to the Property in substantial conformance with the construction plans (“Construction Plans”) submitted to and approved by the City. Section 1.01 of the Contract specifies that the Construction Plans shall include at least the following: (1) site plan, (2) foundation plan, (3) basement plans, (4) floor plan for each floor, (5) cross sections of each (length and width), (6) elevations; and (7) façade and landscape plan. A copy of the Construction Plans is attached hereto as Exhibit D.

10. In Section 5.03 of the Contract, Defendant agreed to commence construction of the Minimum Improvements within one month after the date of delivery of the deed to the Property by the City to the Defendant.

11. In Section 5.03 of the Contract, Defendant further agreed to substantially complete construction of the Minimum Improvements within twelve months after delivery of the deed to the Property by the City to the Defendant.

12. In Section 6.01 of the Contract, Defendant agreed to continuously maintain insurance on the Property and the Minimum Improvements until completion of the project. Defendant agreed that such insurance would include builder’s risk insurance, commercial general liability insurance and workers’ compensation insurance.

13. In Section 9.01 of the Contract, the Defendant agreed that certain events would constitute an after conveyance event of default.

14. In Section 9.01(b) of the Contract, the Defendant agreed that the Defendant's failure to provide or maintain any insurance required to be provided and maintained by Section 6.01 of the Contract was an after conveyance event of default.

15. In Section 9.01(c) of the Contract, the Defendant agreed that the Defendant's failure to commence and complete construction of the Minimum Improvements pursuant to the time limitations of Section 5.03 of the Contract, was an after conveyance event of default.

16. In Section 9.01(d) of the Contract, the Defendant agreed that the Defendant's failure to substantially observe or perform any other material covenant, condition, obligation, or agreement on its part to be observed or performed under the Contract was an after conveyance event of default.

17. In Section 9.02 of the Contract, Defendant agreed that the City was entitled to certain Remedies in the event of a default referenced in Section 9.01 of the Contract, including taking whatever action, including legal, equitable, and administrative action, which may appear necessary or desirable to the City.

18. In Section 9.04 of the Contract, Defendant agreed, upon the occurrence of an after conveyance event of default and a failure to cure such default after 60 days' written notice, the City was entitled to re-enter and take possession of the Property and to terminate (and re-vest in the City) the estate conveyed by the Deed to Defendant.

19. In Section 9.04(a), Defendant agreed that its failure to complete its redevelopment of the property within the timeframe established by the Contract would trigger the City's rights to reenter and re-vest title to the Property in the City.

20. In Section 9.04(b), Defendant agreed that its failure to pay real estate taxes on the Property would trigger the City's rights to reenter and re-vest title to the Property in the City.

The City conveyed the Property to Defendant pursuant to the Contract and terms of the Deed

21. Pursuant to the Contract, the Defendant paid the City the purchase price of two dollars (\$2.00) in exchange for the deed to the Property.

22. Pursuant to the Contract, on November 21, 2013, the City conveyed the Property to Defendant by quitclaim deed ("Deed").

23. Section 1 of the Deed expressly states that the Deed is subject to the provisions of the Contract.

24. Section 1 of the Deed expressly states that Defendant specifically agrees to promptly and diligently prosecute to completion the redevelopment of the Property and that such redevelopment would commence within one month of the date of the deed and be completed within twelve months after the date of this deed.

25. Section 2 of the Deed mirrors the language of Section 9.04 of the Contract. Section 2 of the Deed gives City the right to re-enter and take possession of the Property and to terminate (and re-vest in the City) the estate conveyed by the Deed to Defendant should Defendant fail to redevelop the Property within the contracted timeline or fail to pay real estate taxes.

Nearly three years after conveyance of the Property, the Defendant has failed to redevelop the Property, has breached the terms of the Contract, and has failed to cure its default

26. Nearly three years have passed since the conveyance of the Deed to Defendant.

27. Defendant has failed to redevelop the Property.

28. Defendant has failed to substantially complete the Minimum Improvements on the Property.

29. Defendant has failed to pay real estate taxes on the Property.

30. Defendant has failed to maintain the required insurance on the Property.

31. On July 27, 2016, the City sent Defendant a Notice of Default under the Contract. The Notice of Default provided Defendant until September 30, 2016 to cure its default. A copy of the Notice of Default is attached hereto as Exhibit E.

32. Defendant has not cured its default.

COUNT ONE - BREACH OF CONTRACT

33. The City repeats and realleges the allegations contained in the foregoing paragraphs of this Complaint as if fully set forth herein.

34. The City and Defendant entered into a valid Contract.

35. The Contract is legal, valid, and enforceable.

36. The City performed all of its obligations under the Contract.

37. The Contract required Defendant to, among other things, substantially complete Minimum Improvements on the Property by November 21, 2014, continuously maintain insurance on the Property, and pay real estate taxes on the Property.

38. Defendant breached the Contract by failing to substantially complete Minimum Improvements on the Property, failing to continuously maintain insurance on the Property, and failing to pay real estate taxes on the Property.

39. Defendant's breaches of the Contract were material.

40. As the direct result of Defendant's breaches, the City is entitled to recover any and all damages arising from Defendant's breach of contract.

COUNT TWO – SPECIFIC PERFORMANCE

41. The City repeats and realleges the allegations contained in the foregoing paragraphs of this Complaint as if fully set forth herein.

42. Pursuant to Section 9.04 of the Contract and Section 2 of the Deed to the Property, Defendant has failed to substantially complete Minimum Improvements on the Property and has failed to pay real estate taxes on the Property.

43. Defendant has failed to cure its defaults under Section 9.04 of the Contract and Section 2 of the Deed after sixty days written notice.

44. The City is entitled to an Order from this Court permitting the City to re-enter and take possession of the Property and terminating and revesting in the City the estate conveyed by the Deed to Defendant.

COUNT THREE – JUDGMENT UNDER THE UNIFORM DECLARATORY JUDGMENTS ACT, MINN. STAT. § 555

45. The City repeats and realleges the allegations contained in the foregoing paragraphs of this Complaint as if fully set forth herein.

46. The City is entitled under Minn. Stat. § 555.01, *et seq.* to ask this Court for a declaration that the Defendant has breached the Contract between parties and permitting the City to re-enter and take possession of the Property and terminating and re-vesting in the City the estate conveyed by the Deed to Defendant.

47. The parties disagree whether the Defendant has breached the Contract.

48. The parties disagree whether City has the authority to re-enter and take possession of the Property and terminating and re-vesting in the City the estate conveyed by the Deed to Defendant.

49. Therefore, this Court should resolve this controversy and declare that Defendant has breached the Contract between parties and permitting the City to re-enter and take possession of the Property and terminating and re-vesting in the City the estate conveyed by the Deed to Defendant.

WHEREFORE, the City prays for the following relief:

1. An Order pursuant to the Uniform Declaratory Judgments Act, Minn. Stat. § 555, declaring that the Defendant has breached the Contract between parties;
2. An Order terminating the estate conveyed by the Deed to the Defendant and re-vesting title to the Property in the City; and

3. An Order granting such other and further relief as the Court may deem just and equitable.

Dated: November 10, 2016

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By



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