

*This opinion is nonprecedential except as provided by
Minn. R. Civ. App. P. 136.01, subd. 1(c).*

**STATE OF MINNESOTA
IN COURT OF APPEALS
A22-1449**

Hudson Financial LLC,
Appellant,

vs.

City of Eagan,
Respondent.

**Filed June 12, 2023
Affirmed
Smith, Tracy M., Judge**

Dakota County District Court
File No. 19HA-CV-20-3604

John G. Westrick, Savage Westrick, P.L.L.P., Bloomington, Minnesota (for appellant)

Robert B. Bauer, Cassandra C. Wolfgram, Dougherty, Molenda, Solfest, Hills & Bauer,
P.A., Apple Valley, Minnesota (for respondent)

Considered and decided by Cochran, Presiding Judge; Worke, Judge; and Smith,
Tracy M., Judge.

NONPRECEDENTIAL OPINION

SMITH, TRACY M., Judge

Appellant Hudson Financial LLC sued respondent City of Eagan, seeking to remove Eagan's liens from Hudson's real property in Dakota County. Eagan's liens arose from two judgments docketed in Dakota County against a prior owner of the property. After the district court determined that Eagan's liens attached to a one-half interest in the property,

Hudson asked the district court to grant equitable relief in the form of equitable subrogation and an equitable lien. The district court denied both types of relief, and Hudson appeals. Because Hudson has failed to demonstrate that either equitable subrogation or an equitable lien is available under the circumstances of this case, we affirm.

FACTS

This dispute arises from Hudson’s ownership of real property in Dakota County. Hudson—a company that renovates and resells houses—sought to remove Eagan’s liens from its property before selling it to a third party.

The following undisputed facts are derived from the district court’s orders. In 2002, W.A. received an undivided one-half interest in the Dakota County property from his mother, J.L.B.¹ That year, W.A. executed a mortgage on the property.

In 2017, W.A. was ordered to pay restitution totaling \$308,290.62 to Eagan and its fire departments. The orders for restitution were docketed in Dakota County and became civil judgments against W.A. in March 2017. *See* Minn. Stat. § 611A.04, subd. 3 (2022).

In 2019, W.A. defaulted on the mortgage and the property was foreclosed and sold to the highest bidder.

During the redemption period, on April 15, 2020, W.A. sold his interest in the property to Metro Holdings LLC. That same day, W.A. filed an affidavit claiming the property as his homestead since 2007.

¹ At the time of these proceedings, Hudson had received J.L.B.’s one-half interest in the property.

On April 22, 2020, Metro redeemed the property. A week later, Metro sold its interest in the property to Hudson. Hudson then made improvements to the property.

Hudson filed a complaint for declaratory relief against Eagan, seeking a declaration that the property was not subject to Eagan's liens because the property had been W.A.'s homestead. *See* Minn. Stat. § 510.01 (2022). Eagan moved for summary judgment, arguing that W.A. had abandoned the property and thus the property was not W.A.'s homestead. The district court denied Eagan's motion for summary judgment, concluding that the homestead issue involved disputed material facts.

After an evidentiary hearing, the district court found that W.A. abandoned the property in 2013. As a result, it concluded, the property was not W.A.'s homestead in 2017 and Eagan's liens attached to W.A.'s one-half interest in the property. In addition, the district court—adopting an argument made by Hudson in its briefing—stated that Hudson was “entitled to an equitable subrogation interest and lien for the cost of the improvements it made to the Property.”

Eagan asked the district court to reconsider whether Hudson could have a lien on its own property. In response, the district court requested briefing about Hudson's entitlement to an equitable lien. Hudson brought a motion requesting both equitable subrogation and an equitable lien, which Eagan opposed.

Based on the parties' briefing, the district court then filed an order determining that (1) Hudson's equitable claims were properly before the district court; (2) Hudson was not entitled to an equitable-subrogation claim or an equitable lien; (3) even if there were a legal

theory entitling Hudson to equitable relief based on its improvements to the property, there was no claim in the pleadings allowing such relief; and (4) Eagan's liens attached only to a one-half interest in the property.

Hudson appeals.

DECISION

Hudson argues that the district court abused its discretion by denying its request for equitable subrogation and an equitable lien. In essence, Hudson seeks equitable relief such that, when Hudson sells the property, Hudson can recoup the amount it paid to purchase and renovate the property before Eagan receives payment under its liens.

We first clarify the standard of review. Although both parties contend that an abuse-of-discretion standard applies, we disagree. Generally, appellate courts review a district court's decision to award equitable relief for an abuse of discretion. *Melrose Gates, LLC v. Moua*, 875 N.W.2d 814, 819 (Minn. 2016). However, a de novo standard of review is appropriate if there is no dispute as to the material facts and the district court, rather than weighing the equities, ruled as a matter of law that the requirements for equitable relief were not met. *Id.* at 820-22 (applying de novo review to district court's dismissal of a subrogation claim when the dismissal was not based on the weight of the equities or on findings of disputed facts). Because the district court determined that Hudson was not entitled to either equitable subrogation or an equitable lien as a matter of law based on the undisputed facts, our review is de novo.

I. The district court did not err by denying Hudson equitable subrogation.

Hudson argues that it is entitled to equitable subrogation because Hudson redeemed the property based on its mistaken belief that the property was homestead property and because the redemption of the property following foreclosure protected Eagan's liens.

“Subrogation is the substitution of one party for another whose debt the party pays, which entitles the paying party to step into the shoes, or be substituted to all the rights, priorities, remedies, liens, and securities of, the other party.” *Id.* at 817. “Under equitable subrogation, when a person has discharged the debt of another with respect to real property, that person may, when justice requires, . . . be substituted to the rights and position of the prior creditor.” *Citizens State Bank v. Raven Trading Partners, Inc.*, 786 N.W.2d 274, 279 (Minn. 2010) (quotation and citation omitted). Thus, equitable subrogation claims typically arise out of priority disputes between lenders with security interests in the same real property. *See, e.g., id.* at 276 (considering whether the appellant bank should be equitably subrogated to the position of two prior mortgages that its loan had satisfied and its associated mortgage thus given priority over a mortgage held by the respondent). The supreme court has explained that “equitable subrogation will be applied in the interest of substantial justice . . . where one party has provided funds used to discharge another’s obligations if (a) the party seeking subrogation has acted under a justifiable or excusable mistake of fact and (b) injury to innocent parties will otherwise result.” *Id.* at 279 (quotation omitted).

The district court determined that Hudson had not discharged any debt because Metro—not Hudson—redeemed the property and thus Hudson was not entitled to equitable subrogation. Hudson does not dispute that a party must discharge the debt of another to qualify for equitable subrogation and concedes that Metro redeemed the property. But Hudson asserts that the district court erred because Metro was its agent when Metro redeemed the property. Thus, Hudson contends it is entitled to recover the cost of redeeming the property before Eagan collects on its liens because that purported redemption “discharged” W.A.’s debt.

Hudson’s contention fails, however, because Hudson did not argue that Metro was its agent in the district court. Thus, that argument is not properly before this court. *See Thiele v. Stich*, 425 N.W.2d 580, 582 (Minn. 1988) (“Nor may a party obtain review by raising the same general issue litigated below but under a different theory.”). Furthermore, even if this argument were properly before us, Hudson does not provide argument, legal authority, or record citations supporting an agency relationship. *See Schoepke v. Alexander Smith & Sons Carpet Co.*, 187 N.W.2d 133, 135 (Minn. 1971) (“An assignment of error based on mere assertion and not supported by any argument or authorities in appellant’s brief is waived and will not be considered on appeal unless prejudicial error is obvious on mere inspection.”). As a result, Hudson has forfeited the argument that it redeemed the

property and consequently has failed to establish error in the district court's determination that Hudson did not discharge anyone's debt.²

In sum, because Hudson did not discharge the debt of another, it is not entitled to equitable subrogation as a matter of law. The district court did not err by denying Hudson's request for this relief.³

II. The district court did not err by denying Hudson an equitable lien.

Hudson argues that, under Minnesota Statutes section 559.11 (2022), it was entitled to an equitable lien for the amount it paid to improve the property.

Section 559.11 governs actions between an occupant of real property and a person claiming title to that real property. In such actions, the occupant may "allege the amount and value of all improvements made" and, if title is found for the claimant, the district court or jury "shall assess the value of all improvements made and taxes and assessments paid upon the land by the occupant." Minn. Stat. § 559.11. In essence, this section requires the title holder to compensate an occupant for improvements the occupant made to the property before the title holder may take possession. *See id.*

As the district court concluded, section 559.11 does not apply to the circumstances here. Hudson is the occupant of the property. But Hudson is also the undisputed owner of

² Because Hudson forfeited the argument that it redeemed the property, we do not reach whether Hudson could be entitled to equitable subrogation based on redemption.

³ Because we conclude that equitable subrogation is not available to Hudson as a matter of law, we do not address Hudson's arguments that equity requires subrogation because Hudson was misled about the homestead status of the property and Eagan's liens were preserved when Metro redeemed the property.

the property—Eagan is not claiming title to the property. Section 559.11 provides no authority for Hudson, as the owner of the property, to obtain an equitable lien for improvements that it made to its own property. The district court therefore did not err by denying Hudson’s request for an equitable lien on its property.

Affirmed.