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4 **UNITED STATES DISTRICT COURT**  
5 **DISTRICT OF NEVADA**

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7 BANK OF NEW YORK MELLON,

8 Plaintiff,

9 vs.

10 HIGHLAND RANCH HOMEOWNERS  
11 ASSOCIATION et al.,

12 Defendants.

3:16-cv-00436-RCJ-WGC

**ORDER**

13 This case arises from a residential foreclosure by the Highland Ranch Homeowners  
14 Association (“Highland Ranch” or “HOA”) for failure to pay HOA assessments. Now pending  
15 before the Court is a Motion to Reconsider the prior grant of summary judgment in favor of  
16 Plaintiff Bank of New York Mellon (“Plaintiff”). (Mot. Recon., ECF No. 47.) For the reasons  
17 given herein, the Court denies the motion.

18 **I. FACTS AND PROCEDURAL BACKGROUND**

19 In 2004, non-party homeowners obtained a \$250,000 mortgage loan to purchase property  
20 located at 6411 Samish Court, Sun Valley, Nevada 89433 (the “Property”). Plaintiff acquired the  
21 note and Deed of Trust (“DOT”) by Corporate Assignment of Deed of Trust recorded October 7,  
22 2009. (Compl. ¶¶ 15–16, ECF No. 1.)

23 On November 1, 2011, as a result of the homeowners’ failure to pay HOA fees, the HOA  
24 recorded a notice of delinquent assessment. (*Id.* at ¶ 17.) On June 20, 2014, Defendant Kern &

1 Associates Ltd. (“Kern”) conducted a foreclosure sale on behalf of the HOA, at which time  
2 Defendant TBR I, LLC (“TBR”) purchased the Property for \$31,100. (Compl. ¶¶ 27–28; Mot.  
3 Dismiss 4, ECF No. 8.) The deed of sale was recorded on July 8, 2014. (Compl. ¶ 27.)  
4 Subsequently, TBR transferred its interest in the Property to Defendant Airmotive Investments,  
5 LLC (“Airmotive”) by way of quitclaim deed recorded February 29, 2016. (*Id.* at ¶ 29.)

6 On July 22, 2016, Plaintiff brought this action for quiet title and declaratory relief,  
7 violation of NRS 116.1113, wrongful foreclosure, injunctive relief, and deceptive trade practices.  
8 On August 15, 2016, Kern moved to dismiss Plaintiff’s claims against it. (ECF No. 8.) On  
9 August 29, 2016, the HOA also moved to dismiss Plaintiff’s fifth cause of action for deceptive  
10 trade practices. (ECF No. 18.) On September 1, 2016, Plaintiff filed an opposition to the motions  
11 to dismiss and a countermotion for summary judgment. (ECF No. 21.) On October 5, 2016, Kern  
12 moved for sanctions against Plaintiff under Federal Rule of Civil Procedure 11 arising from the  
13 filing of the Complaint. (ECF No. 39.)

14 On December 6, 2016, the Court granted summary judgment for Plaintiff on the claim of  
15 quiet title and dismissed the remaining claims as moot. (Order, ECF No. 45.) The Court held that  
16 the HOA’s foreclosure sale could not have extinguished the DOT because the sale was  
17 conducted pursuant to NRS 116.3116, and the Ninth Circuit had recently ruled in *Bourne Valley*  
18 *Court Trust v. Wells Fargo Bank, NA*, 832 F.3d 1154 (9th Cir. 2016), that the statute’s opt-in  
19 notice provisions are facially unconstitutional. Airmotive now argues that the Court committed  
20 error in granting summary judgment on this basis, and asks the Court to reconsider its ruling.  
21 (Mot. Recon., ECF No. 47.)

## 22 II. LEGAL STANDARD

23 Granting a motion to reconsider is an “extraordinary remedy, to be used sparingly in the  
24 interests of finality and conservation of judicial resources.” *Carroll v. Nakatani*, 342 F.3d 934,

1 945 (9th Cir. 2003) (quoting 12 James Wm. Moore et al., Moore’s Federal Practice § 59.30[4]  
2 (3d ed. 2000)). “Reconsideration is appropriate if the district court (1) is presented with newly  
3 discovered evidence, (2) committed clear error or the initial decision was manifestly unjust, or  
4 (3) if there is an intervening change in controlling law.” *Sch. Dist. No. 1J, Multnomah Cnty., Or.*  
5 *v. ACandS, Inc.*, 5 F.3d 1255, 1263 (9th Cir. 1993). In some cases, “other, highly unusual,  
6 circumstances” may also warrant reconsideration. *Id.*

7         However, a motion to reconsider “may not be used to raise arguments or present evidence  
8 for the first time when they could reasonably have been raised earlier in the litigation.” *Carroll*,  
9 342 F.3d at 945; *see also United States v. Lopez-Cruz*, 730 F.3d 803, 811–12 (9th Cir. 2013).  
10 Moreover, “[a] motion to reconsider is not a second chance for the losing party to make its  
11 strongest case or to dress up arguments that previously failed.” *United States v. Huff*, 782 F.3d  
12 1221, 1224 (10th Cir.), *cert. denied*, 136 S. Ct. 537 (2015).

### 13 **III. ANALYSIS**

#### 14 **a. The Scope and Effect of *Bourne Valley***

15         In *Bourne Valley*, the Ninth Circuit held that the “opt-in notice scheme” of NRS  
16 116.3116—included in the statute until its amendment in October 2015—was facially  
17 unconstitutional because it violated the procedural due process rights of mortgage lenders. In its  
18 ruling, the Court of Appeals found the state action requirement of the petitioner’s Fourteenth  
19 Amendment challenge was met, because “where the mortgage lender and the homeowners’  
20 association had no preexisting relationship, the Nevada Legislature’s enactment of the Statute is  
21 a ‘state action.’” *Bourne Valley*, 832 F.3d at 1160. In other words, because a mortgage lender  
22 and HOA generally have no contractual relationship, it is only by virtue of NRS 116.3116 that  
23 the mortgage lender’s interest is “degraded” by the HOA’s right to foreclose its lien. *Id.*  
24 Accordingly, by enacting the statute, the Legislature acted to adversely affect the property

1 interests of mortgage lenders, and was thus required to provide “notice reasonably calculated,  
2 under all circumstances, to apprise interested parties of the pendency of the action and afford  
3 them an opportunity to present their objections.” *Id.* at 1159 (quoting *Mennonite Bd. of Missions*  
4 *v. Adams*, 462 U.S. 791, 795 (1983)). The statute’s opt-in notice provisions therefore violated the  
5 Fourteenth Amendment’s Due Process Clause because they impermissibly “shifted the burden of  
6 ensuring adequate notice from the foreclosing homeowners’ association to a mortgage lender.”  
7 *Id.* at 1159.

8         The necessary implication of the Ninth Circuit’s opinion in *Bourne Valley* is that the  
9 petitioner succeeded in showing that no set of circumstances exists under which the opt-in notice  
10 provisions of NRS 116.3116 would pass constitutional muster. *See United States v. Salerno*, 481  
11 U.S. 739, 745 (1987) (“A facial challenge to a legislative Act is, of course, the most difficult  
12 challenge to mount successfully, since the challenger must establish that no set of circumstances  
13 exists under which the Act would be valid.”); *see also William Jefferson & Co. v. Bd. of*  
14 *Assessment & Appeals No. 3 ex rel. Orange Cty.*, 695 F.3d 960, 963 (9th Cir. 2012) (applying  
15 *Salerno* to facial procedural due process challenge under the Fourteenth Amendment); *Lopez-*  
16 *Valenzuela v. Arpaio*, 770 F.3d 772, 789 (9th Cir. 2014) (applying *Salerno* to facial substantive  
17 due process challenge under the Fifth and Fourteenth Amendments). The fact that a statute  
18 “might operate unconstitutionally under some conceivable set of circumstances is insufficient to  
19 render it wholly invalid.” *Id.* To put it slightly differently, if there were any conceivable set of  
20 circumstances where the application of a statute would not violate the constitution, then a facial  
21 challenge to the statute would necessarily fail. *See William Jefferson & Co.*, 695 F.3d at 963 (“If  
22 William Jefferson’s as-applied challenge fails, then William Jefferson’s facial challenge  
23 necessarily fails as well because there is at least one set of circumstances where application of  
24 § 31000.7 does not violate a taxpayer’s procedural due process rights.”); *United States v.*

1 *Inzunza*, 638 F.3d 1006, 1019 (9th Cir. 2011) (holding that a facial challenge to a statute  
2 necessarily fails if an as-applied challenge has failed because the plaintiff must “establish that no  
3 set of circumstances exists under which the [statute] would be valid”).

4 Here, the Ninth Circuit expressly invalidated the “opt-in notice scheme” of NRS  
5 116.3116, which it pinpointed in NRS 116.31163(2). *Bourne Valley*, 832 F.3d at 1158; *see also*  
6 *Bank of Am., N.A. v. SFR Investments Pool 1 LLC*, No. 2:15-cv-691, 2017 WL 1043286, at \*9  
7 (D. Nev. Mar. 17, 2017) (Mahan, J.) (“The facially unconstitutional provision, as identified in  
8 *Bourne Valley*, is present in NRS 116.31163(2).”). In addition, this Court understands *Bourne*  
9 *Valley* also to invalidate NRS 116.311635(1)(b)(2), which also provides for opt-in notice to  
10 interested third parties. According to the Ninth Circuit, therefore, these provisions are  
11 unconstitutional in each and every application; no conceivable set of circumstances exists under  
12 which the provisions would be valid. The factual particularities surrounding the foreclosure  
13 notices in this case—which would be of paramount importance in an as-applied challenge—  
14 cannot save the facially unconstitutional statutory provisions. In fact, it bears noting that in  
15 *Bourne Valley*, the Ninth Circuit indicated that the petitioner had not shown that it did not  
16 receive notice of the impending foreclosure sale. Thus, the Ninth Circuit declared the statute’s  
17 provisions facially unconstitutional notwithstanding the possibility that the petitioner may have  
18 had actual notice of the sale.

19 Accordingly, the HOA foreclosed under a facially unconstitutional notice scheme, and  
20 thus the HOA foreclosure cannot have extinguished the DOT.

21 **a. Airmotive’s Motion to Reconsider (ECF No. 47)**

22 Airmotive has not presented a basis for the Court to reconsider its order. There is no  
23 newly discovered evidence, the Court did not commit clear error, and there has been no  
24 intervening change in controlling law. The Court notes that the Nevada Supreme Court recently

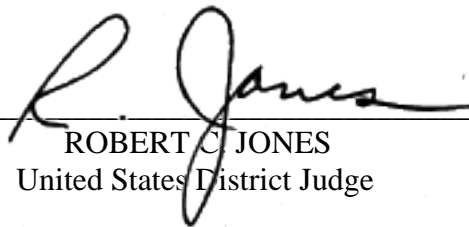
1 ruled contrary to *Bourne Valley*. See *Saticoy Bay LLC Series 350 Durango 104 v. Wells Fargo*  
2 *Home Mortg.*, 388 P.3d 970, 974 (Nev. 2017). But state court rulings on federal issues (i.e., the  
3 constitutionality of NRS Chapter 116 under the U.S. Constitution) are only potentially persuasive  
4 authority. The Ninth Circuit’s rulings are binding on this Court. Moreover, to the extent  
5 Airmotive now raises arguments it failed to raise in response to the motion to dismiss, the Court  
6 declines to consider them. A motion to reconsider “may not be used to raise arguments or present  
7 evidence for the first time when they could reasonably have been raised earlier in the litigation.”  
8 *Carroll*, 342 F.3d at 945; see also *United States v. Lopez-Cruz*, 730 F.3d 803, 811–12 (9th Cir.  
9 2013).

10 **CONCLUSION**

11 IT IS HEREBY ORDERED that the Motion to Reconsider (ECF No. 47) is DENIED.

12 IT IS SO ORDERED.

13 DATED: This 23<sup>rd</sup> day of May, 2017.

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15   
16 ROBERT C. JONES  
United States District Judge