STATE OF MINNESOTA
IN COURT OF APPEALS
A22-0706

James R. Pavelka, Jr.,
Appellant,

vs.

Heather Shadursky,
Respondent.

Filed January 30, 2023
Affirmed
Bryan, Judge

Hennepin County District Court
File No. 27-CV-20-14808

Joseph G. Vaccaro, The Law Office of Joseph G. Vaccaro, PLLC, St. Paul, Minnesota (for appellant)

Joseph J. Dudley, Amber J. Stavig, Dudley & Smith, P.A., Mendota Heights, Minnesota (for respondent)

Considered and decided by Bryan, Presiding Judge; Segal, Chief Judge; and Cleary, Judge.*

NONPRECEDENTIAL OPINION

BRYAN, Judge

In this appeal from a declaratory judgment, appellant challenges the district court's decision that respondent owns half of the parties' house, arguing that the factual findings

* Retired judge of the Minnesota Court of Appeals, serving by appointment pursuant to Minn. Const. art. VI, § 10.

of the district court do not support the declaratory relief ordered. Because we conclude that the factual findings addressed each element of respondent's promissory estoppel counterclaim, we affirm.

FACTS

In August 2020, appellant James R. Pavelka Jr. initiated a civil lawsuit seeking a declaratory judgment that he was the sole owner of a house in Richfield, Minnesota (the property). Respondent Heather Shadursky asserted counterclaims, including promissory estoppel, arguing that she owned half of the property. The case proceeded to a court trial in November 2021. Following trial, the district court issued an order for judgment in Shadursky's favor. The facts below are taken from the evidence presented and the district court's factual findings.

Pavelka and Shadursky jointly purchased the property in March 2000. At the time, they were in a romantic relationship. Shadursky testified that the parties divided responsibility for the monthly mortgage payments and that she contributed to property-related expenses. In 2003, the parties decided to refinance the property to take advantage of lower interest rates. At the time, Shadursky was concerned that she might lose her job and go bankrupt. Thus, in July 2003, the parties executed a quitclaim deed transferring Shadursky's interest in the property to Pavelka, and the property was refinanced in Pavelka's name.

Shadursky later told Pavelka that she regretted her decision to transfer her interest to him. Shadursky testified that in response, Pavelka told her that as long as she lived in the property and contributed to the mortgage payments, she would own half of the property.

Shadursky also testified that after her financial situation stabilized, she asked Pavelka to put her name back on the deed. In response, Pavelka again represented that she owned half of the property. In his testimony, Pavelka denied telling Shadursky that she had an ownership interest in the home but admitted that he had told Shadursky and other family that if he died, Shadursky would live in and own the property.

Pavelka testified that after 2003, Shadursky paid him between $500 and $570 per month, in excess of one-half of the amount due each month on the mortgage. The parties ended their romantic relationship in approximately June 2019, and Pavelka moved out of the property in January 2020. At trial, Pavelka characterized Shadursky's monthly payments as rent, but Shadursky believed these payments were her portion of the mortgage and home improvement payments, including a bathroom renovation in 2015. Shadursky also testified that Pavelka referred to her as a tenant for the first time after he moved out of the property in January 2020.

The district court determined that Shadursky's testimony was more credible than Pavelka's. The district court found that Pavelka promised Shadursky that she would own half of the property if she lived in the property and contributed to the mortgage payment. In addition, the district court found that Shadursky's contributions to the mortgage and home improvements were made in reliance on Pavelka's promise of one-half ownership. The district court further noted that there was no evidence Shadursky had missed any payments, that it was undisputed that Shadursky contributed to the bathroom renovation in 2015, and that Pavelka never characterized Shadursky's payments as rental payments prior to the end of their relationship. The district court observed that "the purpose of the quit

claim deed was to safeguard the parties' ownership of the Property," that Pavelka "took action, together with [Shadursky], to protect their ownership of their shared home," and that the parties "continued to share the ownership expenses of their home after the signing of the quitclaim deed, as they had before."

Based on these findings, the district court concluded that Shadursky had satisfied the elements of her promissory estoppel counterclaim. The district court also noted that the evidence of Shadursky's contributions to the property amounted to "part performance" under Pavelka's promise, satisfying an exception to the statute of frauds. No posttrial motions were filed. Pavelka appeals.

DECISION

Pavelka challenges the district court's judgment, arguing that the factual findings do not sustain the conclusion that Shadursky satisfied each element of promissory estoppel. We address the factual findings regarding promissory estoppel and determine that these findings sustain the conclusions underlying the declaratory relief ordered.

"Promissory estoppel is an equitable doctrine that implies a contract in law where none exists in fact." *Martens v. Minnesota Mining & Mfg. Co.*, 616 N.W.2d 732, 746 (Minn. 2000) (quotation omitted). To prevail, a plaintiff must prove "that 1) a clear and definite promise was made, 2) the promisor intended to induce reliance and the promisee in fact relied to his or her detriment, and 3) the promise must be enforced to prevent injustice." *Id.* at 746. "The effect of promissory estoppel is to imply a contract from a unilateral or otherwise unenforceable promise coupled by detrimental reliance on the part of the promisee." *Del Hayes & Sons, Inc. v. Mitchell*, 230 N.W.2d 588, 593 (Minn. 1975).

As such, "promissory estoppel only applies where no contract exists." *Banbury v. Omnitrition Int'l, Inc.*, 533 N.W.2d 876, 881 (Minn. App. 1995); *see also Del Hayes*, 230 N.W.2d at 593.

On appeal from a declaratory judgment following a court trial, this court reviews factual findings for clear error and legal questions de novo. *Samuelson v. Farm Bureau Mut. Ins. Co.*, 446 N.W.2d 428, 430 (Minn. App. 1989), *rev. denied* (Minn. Nov. 22, 1989); *see also Porch v. Gen. Motors Acceptance Corp.*, 642 N.W.2d 473, 477 (Minn. App. 2002) (stating that this court gives "great deference" to a district court's factual findings and does "not reconcile conflicting evidence"), *rev. denied* (Minn. Jun. 26, 2002); Minn. R. Civ. P. 52.01 ("due regard shall be given to the opportunity of the trial court to judge the credibility of the witnesses"). Whether undisputed facts "rise to the level of promissory estoppel presents a question of law." *Martens*, 616 N.W.2d at 746; *see also Meriwether Minn. Land & Timber, LLC v. State*, 818 N.W.2d 557, 564 (Minn. App. 2012) (stating that "[w]hether promissory estoppel applies is a question of law").[1]

The first element of promissory estoppel is that a promise was made that would reasonably induce someone to act and that had "sufficient clarity and definiteness to

[1] We note at the outset that while the parties offered conflicting testimony at trial, Pavelka does not argue on appeal that the district court clearly erred in any of its findings of fact. Instead, Pavelka argues that the facts as found by the district court do not sustain the decision to grant declaratory relief on Shadursky's promissory estoppel counterclaim. Consistent with this position, Pavelka made no motion for a new trial. In such circumstances, "our review of the facts is limited to determining whether the evidence sustains the findings of fact, and whether the findings sustain the conclusions of law and the judgment. . . . But we may freely review substantive questions of law properly raised before the district court." *U.S. Bank N.A. v. Cold Spring Granite Co.*, 802 N.W.2d 363, 370 (Minn. 2011) (citations omitted).

determine if there has been performance" consistent with the promise. *Martens*, 616 N.W.2d at 746, 746 n.27 (concluding that a "general framework for compensating and promoting employees" was not a "clear and definite promise"); *see also Ruud v. Great Plains Supply, Inc.*, 526 N.W.2d 369, 370 (Minn. 1995) (holding that the statement "[g]ood employees are taken care of" was not a clear and definite promise). Pavelka reaffirmed at oral argument that he is not challenging the district court's factual findings and did not assign error to them in his written submissions. Instead, Pavelka asserts that the district court erred in concluding that Pavelka's statements to Shadursky constitute a clear and definite promise. We agree with the district court. Pavelka told Shadursky that she would own half of the property on the condition that she continued to live in it and contributed to the mortgage each month. This statement is not a "general framework," but tied a specific benefit (owning half of the property) to specific conduct (paying half of the mortgage for and residing in the property). Pavelka should have reasonably expected that his statement would induce Shadursky to take the actions required of her to obtain the promised benefit. Pavelka made a sufficiently clear and definite statement to satisfy the first element of promissory estoppel. The district court's factual findings sustain its conclusion regarding the first element of promissory estoppel.

The second element of promissory estoppel is reliance, which exists when "the promisor intended to induce reliance and the promisee in fact relied to his or her detriment." *Martens*, 616 N.W.2d at 746. Pavelka argues that the factual findings do not establish reliance. Again, we are not convinced and agree with the district court. It is undisputed that Shadursky made monthly payments in excess of one-half of the mortgage due and

helped pay for home improvements, facts that support a conclusion that Shadursky actually relied on Pavelka's promise. In addition, Pavelka's repeated reassurances to Shadursky that she owned half of the house indicate that Pavelka intended for Shadursky to rely on his promise, including when Pavelka reassured Shadursky after she specifically asked him to formally transfer ownership and change the deed to include her name. The fact that Pavelka never characterized Shadursky's payments as rent until after the end of the parties' relationship further supports the conclusion that he intended for Shadursky to rely on the stated promise. Thus, the factual findings sustain the conclusion that the second element is also satisfied.

The third element of promissory estoppel is whether "the promise must be enforced to prevent injustice." *Id.* "Numerous considerations enter into a judicial determination of injustice, including the reasonableness of a promisee's reliance and a weighing of public policies in favor of both enforcing bargains and preventing unjust enrichment." *Faimon v. Winona State Univ.*, 540 N.W.2d 879, 883 (Minn. App. 1995), *rev. denied* (Minn. Feb. 9, 1996). Here, Pavelka asserts that Shadursky's reliance on his promise was "unjustifiable as a matter of law" because of the quitclaim deed. We disagree, however, that the previous execution of the quitclaim deed renders unreasonable Shadursky's actual reliance on Pavelka's promise. Although the deed memorialized the parties' initial agreement to make Pavelka the sole legal owner at the time it was executed, nothing in the deed prevents the parties from changing their minds in the future. Moreover, Shadursky's reliance on Pavelka's promise was otherwise reasonable in light of the parties' romantic relationship, the context of the promise following three years of shared home ownership, and the fact

that Pavelka reiterated the promise multiple times. As the district court observed, if the promise is not enforced, "Shadursky will lose all the equity she has built up in the home through her monthly payments of half the mortgage, taxes, and insurance for the Property as well as her contributions to home improvement expenses over the last 22 years." The district court's factual findings sustain its conclusion that Shadursky established the third element of promissory estoppel.

Pavelka makes two additional arguments, but neither has merit. First, Pavelka argues that the district court misapplied the parol evidence rule when it admitted evidence of his oral promise that Shardursky would retain her interest when she had agreed in writing to transfer her interest to Pavelka. "The parol evidence rule prohibits the admission of extrinsic evidence of prior or contemporaneous oral agreements, or prior written agreements, to explain the meaning of a contract when the parties have reduced their agreement to an unambiguous integrated writing." *Alpha Real Est. Co. of Rochester v. Delta Dental Plan of Minn.*, 664 N.W.2d 303, 312 (Minn. 2003) (quotation omitted). We are not convinced by this argument because Pavelka's promise was made after the quitclaim deed and after Shadursky's financial situation improved. The parol evidence rule does not apply to this subsequent promise. *See Nord v. Herreid*, 305 N.W.2d 337, 339 (Minn. 1981) ("Testimony of subsequent conversations does not fall within the ambit of the parol evidence rule.").

Second, Pavelka argues that any oral promise he made is unenforceable because of the statute of frauds. Under the statute of frauds, a contract for the sale of any interest in real property must be in writing. Minn. Stat. § 513.05 (2022). Pavelka argues that the

district court erred when it concluded that the "part performance" exception to the statute of frauds was satisfied here. *See Crossroads Church of Prior Lake v. County of Dakota*, 800 N.W.2d 608, 614-15 (Minn. 2011) (describing the doctrine of "part performance"). Because we conclude that Shadursky established the elements of promissory estoppel, however, we need not decide whether part performance applies. Part performance and promissory estoppel are distinct concepts; part performance applies when an otherwise unenforceable oral contract exists, *id.* at 615, while promissory estoppel is an equitable remedy that applies where no contract exists in fact, *Martens*, 616 N.W.2d at 746. Pavelka makes no argument that the statute of frauds bars equitable claims such as promissory estoppel and equitable estoppel, and such an argument would conflict with binding law. *See Berg v. Carlstrom*, 347 N.W.2d 809, 812 (Minn. 1984) ("An agreement may be taken out of the statute of frauds . . . by part performance *or* by application of the doctrines of promissory or equitable estoppel." (Emphasis added)). Because we affirm the conclusion that the equitable remedy of promissory estoppel was appropriate in the absence of a contract in fact, we need not address any alternative arguments regarding whether the parties could have formed a valid, unwritten contract in fact pursuant to the statute of frauds exception for part performance.

Affirmed.