

**STATE OF MINNESOTA
IN COURT OF APPEALS
A23-0048**

Trails Truck & Travel Plaza, LLC,
Respondent,

vs.

Albert Lea Township,
Defendant,

City of Albert Lea,
Appellant,

Office of Administrative Hearings,
Decision-maker.

**Filed August 21, 2023
Reversed
Wheelock, Judge**

Freeborn County District Court
File No. 24-CV-22-497

Daniel Schleck, Molly Hamilton Cawley, Jacob W. Elrich, Messerli Kramer PA,
Minneapolis, Minnesota (for respondent)

Robert T. Scott, Alissa M. Harrington, Flaherty & Hood, P.A., St. Paul, Minnesota (for
appellant)

Considered and decided by Cochran, Presiding Judge; Segal, Chief Judge; and
Wheelock, Judge.

SYLLABUS

Review by the Minnesota Office of Administrative Hearings (OAH) of a joint
resolution for annexation under Minn. Stat. § 414.0325, subd. 1(h) (2022), is limited to

determining satisfaction of the conditions and procedural requirements in Minn. Stat. § 414.0325, subds. 1, 1b (2022).

OPINION

WHEELOCK, Judge

Appellant city challenges a district court order vacating an OAH order that approved the city's annexation of a designated area in an adjacent township by joint resolution under Minn. Stat. § 414.0325, subd. 1(h) (subdivision 1(h)), and remanding for an evidentiary hearing. OAH correctly concluded that subdivision 1(h) authorizes only limited review, does not include the hearing requirement set forth in Minn. Stat. §§ 414.0325, subd. 2, .09 (2022), and does not require consideration of the factors identified in Minn. Stat. § 414.0325, subd. 3 (2022), and that the statutory criteria for annexation were satisfied. We therefore reverse the district court's order.

FACTS

In late 2021, Albert Lea Township and appellant City of Albert Lea published a notice of intent to designate an area of the township approximately 20 acres in size—including a 7.6-acre parcel owned by respondent Trails Truck & Travel Plaza LLC (Trails)—for orderly annexation under Minn. Stat. § 414.0325 (2022) (the orderly annexation statute). *See* Minn. Stat. § 414.0325, subd. 1b (requiring ten days' published notice of intent to include property in an orderly annexation area). Trails objected to annexation of its parcel because annexation by the city would result in significant property-tax increases as well as deferred assessments for city services and infrastructure that Trails did not need or intend to use. It requested that its parcel be removed from the

designated area. *See id.*, subd. 1(b) (defining “designated area” as an area identified by parties to a joint resolution as appropriate for annexation according to negotiated terms and conditions).

Over Trails’ objection, the city and township signed Joint Resolution 22-019, designating the entire 20-acre area as in need of orderly annexation.¹ The joint resolution stated that “no alteration of the agreed upon boundaries is appropriate,” “all conditions for annexation have been stated in this resolution,” and “no consideration by [OAH] is necessary.” The city and township submitted the joint resolution to OAH, conferring jurisdiction on OAH over annexations in the designated area.² *See id.*, subd. 1(c).

Trails filed a letter with OAH objecting to annexation and requesting a hearing. OAH scheduled a telephone conference “to address Trails Travel Center’s objection to the proposed annexation.” The order authorized the parties to “file letter briefs articulating their position as to whether the annexation should be approved, along with any other documentation they wish to have considered.” The city and Trails filed letters expressing their positions on annexation. Trails also filed a proposed comment through which it conceded that OAH’s approval of the annexation was statutorily required, but also made clear that it wanted OAH to express concerns regarding the joint resolution in the order.

¹ It appears that a procedural defect resulted in publication of a second notice of intent in January 2022. The adoption of Joint Resolution 22-019 apparently followed the second notice.

² For readability, we use “OAH” to include statutory references to the chief administrative law judge. *E.g.*, Minn. Stat. § 414.0325, subd. 1(c) (“The joint resolution will confer jurisdiction on the chief administrative law judge over annexations in the designated area . . .”).

Following the telephone conference, OAH issued an order and memorandum approving the annexation and expressly declining to comment.

Trails appealed the annexation order to district court under Minn. Stat. § 414.07 (2022). The district court held a status conference and directed the parties to brief the disputed issues. After reviewing the parties' submissions, the district court filed an order vacating the annexation order and remanding the matter to OAH to hold an evidentiary hearing and make factual findings. The city appeals.

ISSUE

Did OAH err in determining that, when a joint resolution satisfies the statutory criteria in subdivision 1(h), OAH need not hold an evidentiary hearing or consider additional statutory factors and must approve annexation within 30 days?

ANALYSIS

At issue in this appeal is whether the statutory provisions requiring a hearing, Minn. Stat. § 414.0325, subd. 2 (subdivision 2), and factor-based findings, Minn. Stat. § 414.0325, subd. 3 (subdivision 3), apply to OAH's review of a joint resolution for orderly annexation under subdivision 1(h). Although this appeal is taken from a district court decision, we review OAH's decision independently. *In re Annexation of Real Prop. to Bemidji*, 945 N.W.2d 68, 70 (Minn. App. 2020), *rev. denied* (Minn. July 21, 2020).

The orderly annexation statute allows a city and township, by joint resolution, to “designate an unincorporated area as in need of orderly annexation.” Minn. Stat. § 414.0325, subd. 1(a). Submission of the joint resolution to OAH confers on OAH jurisdiction over annexations in the designated area. *Id.*, subd. 1(c). “Upon receipt of a

resolution for annexation of a part of the designated area, [OAH] shall set a time and place for a hearing *in accordance with section 414.09.*” *Id.*, subd. 2 (emphasis added). Section 414.09 provides uniform procedures for municipal boundary adjustment proceedings under chapter 414. As relevant here, it directs that “proceedings . . . shall come on for hearing within 30 to 60 days from receipt of the [initiating] document by” OAH. Minn. Stat. § 414.09, subd. 1(a).

The orderly annexation statute identifies factors OAH must consider “[i]n arriving at a decision” on a joint resolution and provides in relevant part that OAH, in its discretion, “may order the annexation” upon making specified findings, “may deny the annexation if it conflicts with any provision of the joint agreement,” and “may alter the boundaries of the proposed annexation.” Minn. Stat. § 414.0325, subd. 3(a)-(d). The statute further provides, “In all cases, [OAH] shall set forth the factors which are the basis for the decision.” *Id.*, subd. 3(f).

The orderly annexation statute also includes two limiting provisions relevant to our analysis. First, if a joint resolution “states that no alteration of its stated boundaries is appropriate, [OAH] may review and comment, but may not alter the boundaries.” *Id.*, subd. 1(g). And second,

If a joint resolution designates an area as in need of orderly annexation, provides for the conditions for its annexation, and states that no consideration by [OAH] is necessary, [OAH] may review and comment, but shall, within 30 days, order the annexation in accordance with the terms of the resolution.

Id., subd. 1(h).

OAH concluded that its review of the joint resolution was limited by this statutory language stating that no alteration of boundaries is appropriate, *id.*, subd. 1(g), and that no consideration by OAH is necessary, *id.*, subd. 1(h). The district court rejected that interpretation, vacated the OAH order, and remanded for further proceedings and findings. Our review focuses on interpretation of the orderly annexation statute. Appellate courts review questions of statutory interpretation de novo. *In re Annexation of Certain Real Prop. to Proctor*, 925 N.W.2d 216, 218 (Minn. 2019).

The first step in statutory interpretation is to determine whether a statute is ambiguous. *Spann v. Minneapolis City Council*, 979 N.W.2d 66, 73 (Minn. 2022). A statute is ambiguous if it is subject to more than one reasonable interpretation. *Id.* “We interpret a statute as a whole so as to harmonize and give effect to all its parts, and where possible, no word, phrase, or sentence will be held superfluous, void, or insignificant.” *Proctor*, 925 N.W.2d at 218 (quotation omitted). If there is only one reasonable interpretation, courts apply the plain meaning to effectuate legislative intent. *Cent. Hous. Assocs. v. Olson*, 929 N.W.2d 398, 402 (Minn. 2019).

As noted above, the issue in this appeal is whether the provisions requiring a hearing—subdivision 2—and factor-based findings—subdivision 3—apply to OAH’s review of a joint resolution under subdivision 1(h), which restricts the scope of OAH’s review. We conclude that they do not.

It is undisputed that Joint Resolution 22-019 designates an area as in need of orderly annexation, provides for the conditions of its annexation, and states that no consideration by OAH is necessary. It therefore satisfies the criteria of subdivision 1(h). Under these

circumstances, OAH “may review and comment, but shall, within 30 days, order the annexation in accordance with the terms of the resolution.” Minn. Stat. § 414.0325, subd. 1(h).

Additional provisions in the orderly annexation statute requiring a hearing within 30 to 60 days, Minn. Stat. §§ 414.0325, subd. 2, .09, subd. 1(a), and consideration of factors to determine whether to approve annexation, Minn. Stat. § 414.0325, subd. 3, cannot be reconciled with the clear directive that OAH *may* review and comment but *shall* order the annexation *within 30 days*, Minn. Stat. § 414.0325, subd. 1(h). The statutory timelines providing for a hearing and for approval are incompatible because a hearing could not be held before approval of the annexation. Statutes must be interpreted to harmonize and give effect to all provisions. *Proctor*, 925 N.W.2d at 218.

Interpreting the orderly annexation statute to require a hearing within 30 to 60 days and consideration of statutory factors beyond the criteria in subdivision 1(h) would fail to give effect to the clear language in subdivision 1(h) that restricts OAH’s role and mandates approval within 30 days for joint resolutions that meet the criteria in subdivision 1(h). The only reasonable interpretation of the orderly annexation statute as a whole is that subdivision 2 (incorporating the hearing timeframe in section 414.09) and subdivision 3 (presuming discretion to deny annexation) do not apply to a joint resolution that satisfies the criteria of subdivision 1(h).³ Accordingly, OAH was not required to hold a hearing

³ We note that sections 414.0325, subdivision 3, and 414.09, subdivision 1(e), also presume that OAH has authority to alter the boundaries of the affected area. Although alteration of boundaries is not at issue here, the joint resolution and section 414.0325, subdivision 1(g), preclude OAH from any alteration. This additional conflict further supports our conclusion

under subdivision 2 or evaluate the factors identified in subdivision 3. We therefore need not decide whether the telephone conference OAH held was a “hearing” within the meaning of subdivision 2.

We are not persuaded otherwise by the district court’s reliance on Minn. Stat. § 414.12 (2022), which sets forth OAH’s powers in annexation proceedings. The district court emphasized that subdivision 1(b) provides: “In all proceedings, [OAH] has the authority and responsibility to conduct hearings and issue final orders related to the hearings under sections 414.01 to 414.09.” Minn. Stat. § 414.12, subd. 1(b). But notably, subdivision 1(a) states that OAH may require that parties resolve disputes over proposed boundary adjustments through alternative dispute resolution, “in place of . . . hearings that would otherwise be required.” *Id.*, subd. 1(a). And matters resolved through alternative dispute resolution “may be incorporated into a joint resolution adopted pursuant to section 414.0325, subdivision 1.” *Id.*, subd. 5. Reading section 414.12 to harmonize all its parts, as we must, we conclude that it does not impose an independent hearing requirement for orderly annexation proceedings.

We also address the district court’s determination that OAH’s lack of comment hampered judicial review under Minn. Stat. § 414.07. That section allows review by the district court of “any order issued under this chapter” on the grounds

- (1) that the order was issued without jurisdiction to act;
- (2) that the order exceeded the orderer’s jurisdiction;

that subdivisions 2 (requiring a hearing in accordance with section 414.09 for annexation of a part of the designated area) and 3 (presuming discretion to alter boundaries) do not apply to all proceedings under the orderly annexation statute.

(3) that the order is arbitrary, fraudulent, capricious or oppressive or in unreasonable disregard of the best interests of the territory affected; or

(4) that the order is based upon an erroneous theory of law.

Minn. Stat. § 414.07, subd. 2(a). Due to the nature of appellate review, which is necessarily limited to the scope of the proceedings below, not all grounds for judicial review will apply to all chapter 414 orders. *See Bemidji*, 945 N.W.2d at 71 (rejecting argument that “unreasonable disregard of the best interests of the territory affected” in Minn. Stat. § 414.07, subd. 2(a)(3) (2018), applies to district court review of annexation by ordinance under Minn. Stat. § 414.033, subd. 2(3) (2018)).

Given OAH’s limited review of a joint resolution under subdivision 1(h), it is not clear how comments made by OAH would be necessary for district court review. Moreover, subdivision 1(h) makes clear that any comment by OAH is optional. Minn. Stat. § 414.0325, subd. 1(h) (“If a joint resolution . . . states that no consideration by [OAH] is necessary, [OAH] *may review and comment*, but shall . . . order the annexation”); *see* Minn. Stat. § 645.44, subd. 15 (2022) (stating that “[m]ay’ is permissive”). We conclude that OAH may review and comment on a joint resolution under subdivision 1(h), at its discretion, and that a district court may not decline review if OAH elects not to comment.⁴

⁴ Similarly, OAH’s decision not to make findings under Minn. Stat. § 414.0325, subd. 3(f), addressing Trails’ arguments about the city’s motivations cannot preclude review of the annexation order under subdivision 1(h). As we concluded above, OAH was not required to consider the factors in subdivision 3 to evaluate a joint resolution submitted under subdivision 1(h).

Finally, we address the city’s contention that the district court erred in determining that more fulsome OAH proceedings were necessary to satisfy procedural due process. The first step in determining whether the government has violated procedural due-process rights is to consider “whether the government has deprived the individual of a protected life, liberty, or property interest.” *Rew v. Bergstrom*, 845 N.W.2d 764, 785 (Minn. 2014). The second step asks whether the process provided was constitutionally sufficient, i.e., included notice and opportunity to be heard. *Id.*

The district court concluded that the process provided to Trails was insufficient, relying on a case applying only the second step of due-process analysis. *Juster Bros. v. Christgau*, 7 N.W.2d 501, 507-08 (Minn. 1943) (holding that state cannot fix employer’s rate of contribution to unemployment fund without notice of proceedings and opportunity for employer to be heard). Neither the district court in its order nor Trails in its brief identifies a property interest pertinent to the first step of the *Rew* analysis. And when pressed at oral argument, counsel for Trails pointed only to its interest in not paying increased taxes for city services from which it anticipates no benefit. Significantly, Trails did not identify a legally protected property interest in the location of municipal boundaries relative to its property, and we are aware of none. The taxes and assessments that Trails expects will be imposed on it as a result of annexation will be subject to separate proceedings better suited to evaluate the corresponding benefit, if any, to affected properties.⁵

⁵ It is our understanding that Trails has appealed certain special assessments related to this annexation. In an appeal to district court under Minn. Stat. § 429.081 (2022), a property

DECISION

Because OAH correctly concluded that Joint Resolution 22-019 designates an area as in need of orderly annexation, provides the conditions for its annexation, and states that no consideration by OAH is necessary, no further inquiry was warranted and approval of annexation was mandatory. We therefore reverse the decision of the district court.

Reversed.

owner may challenge a special assessment as exceeding the special benefit. *Carlson-Lang Realty Co. v. City of Windom*, 240 N.W.2d 517, 519 (Minn. 1976).