

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF DAKOTA

FIRST JUDICIAL DISTRICT

Coalition for Responsible Data Center
Development,
Drea Doffing,
Brian Haskin,
Gary Johnson,
Cathy Johnson,
Mark Pearson,
Terrie Pearson,
Catherine Peregrino, and
Jeff Schettler,

Plaintiffs,

v.

City of Farmington,

Defendant.

Court File No. 19HA-CV-25-992

**ORDER AND MEMORANDUM
ON DEFENDANT CITY OF
FARMINGTON'S AMENDED
MOTION TO DISMISS PLAINTIFF
CASTLE ROCK TOWNSHIP'S
COMPLAINT**

Castle Rock Township,

Plaintiff,

v.

City of Farmington,
MNLCO Farmington, LLC,
MNLCO Farmington Two, LLC,
Independent School District 192,
Bryce Olson, and
Carol Olson,

Defendants.

This matter came before the Honorable Tracy L. Perzel, Judge of District Court, Dakota County, Minnesota, on Defendant City of Farmington's Amended Motion to Dismiss on July 31, 2025.

Andrew Tiede, Esq. appeared on behalf of Plaintiff Castle Rock Township (“Town” or “Castle Rock”).

Justin Templin, Esq. appeared on behalf of the Defendant City of Farmington (“City” or “Farmington”).

Bryan Huntington, Esq. appeared on behalf of Defendants MNLCO Farmington LLC and MNLCO Farmington Two, LLC (collectively “Tract”).

Michelle Weinberg, Esq. appeared on behalf of Defendant Farmington Independent School District 192 (“ISD 192”).

John Reddall, Esq. appeared on behalf of Bryce and Carol Olson (“Olsons”).

Charlie Shafer, Esq., appeared on behalf of the Coalition for Responsible Data Center Development.

The parties to the present motion, Farmington and Castle Rock agreed to an extended filing deadline for this Order.

Based on the files, records, and proceedings herein, the Court makes the following:

ORDER

1. Defendant Farmington’s Amended Motion to Dismiss Plaintiff Castle Rock’s Complaint is **respectfully DENIED**.
2. The attached Memorandum is incorporated as the Court’s rationale.

Dated: 11/10/2025

BY THE COURT:



Tracy Perzel
Judge of District Court

MEMORANDUM

By Complaint, Castle Rock alleges Farmington breached its 2017 Joint Resolution Establishing an Orderly Annexation Agreement Between the City of Farmington and Castle Rock Township (“2017 OAA”) and seeks declaratory judgment. In summary, Castle Rock asserts Farmington breached the terms of the 2017 OAA by approving a zoning change to, and related comprehensive plan designations of, mixed-use (commercial/industrial) for three parcels annexed from Castle Rock, all without seeking Castle Rock’s consent.

Castle Rock states that during the period of the 2017 OAA and without Castle Rock’s consent, Farmington could not (a) adopt an initial Comprehensive Plan designation of industrial or commercial use for any property in the Annexation Area and/or (b) change the initial Comprehensive Plan designation to industrial or commercial use for any property in the Annexation Area. (Idx. 1, p. 5 (Complaint)). The 2017 OAA language on which Castle Rock relies mirrors language within an earlier and since-expired orderly annexation agreement between Castle Rock and Farmington. (Idx. 1, p. 9-21). The Annexation Area for the 2017 OAA is identified only by plat map referenced within, and attached as Exhibit A to, the 2017 OAA.

Castle Rock further alleges, in September 2024, Farmington notified Castle Rock of Farmington’s intent to amend its 2040 Comprehensive Plan to change the land-use designation for the three parcels at issue to “Mixed-Use (Commercial/Industrial)” to allow for development of a technology park and data center. (*Id.*, p. 3). Castle Rock alleges Farmington subsequently approved both the zoning change to mixed-use (commercial/industrial) for the three parcels and the corresponding amendments to Farmington’s Comprehensive Plan, all without obtaining Castle Rock’s consent. As a result, Castle Rock alleges Farmington violated the 2017 OAA. (*Id.*, p. 6).

I. Motion to Dismiss.

By amended motion filed June 24, 2025, Farmington moves to dismiss Castle Rock’s Complaint under Minn. R. Civ. P. 12.02(e).¹

At this stage of the proceedings, “a pleading will be dismissed only if it appears *to a certainty* that no facts, which could be introduced consistent with the pleading, exist which would support granting the relief demanded.” *Northern States Power Co. v. Franklin*, 265 Minn. 391, 395, 122 N.W.2d 26, 29 (1963) (citation omitted) (emphasis added). In other words, dismissal on a Rule 12(e) motion is only “appropriate if the moving party can demonstrate that it is not possible to grant relief on any evidence that *might* be produced consistent with the complaint.” *Wiegand v. Walser Automotive Groups, Inc.*, 683 N.W.2d 807, 812 (Minn. 2004) (emphasis added).

¹ After Farmington filed its motion to dismiss under Rule 12.02(e) on March 21, 2025, and after the Honorable Krista Marks granted Farmington’s motion to join this and a related case (as now reflected by the present caption), Farmington filed its Answer to the Complaint on June 19, 2025, wherein it again asserts the Complaint fails to state a claim upon which relief could be granted. Thereafter, on June 24, 2025, Farmington filed the present, Amended Motion to Dismiss, modifying the caption to address the case consolidation and citing Rule 12. Farmington makes no argument for dismissal based on any aspect of Rule 12 aside from Rule 12.02(e), which is the only Rule 12 basis identified in its Memorandum filed April 30, 2025.

In performing its analysis, the Court must “accept the *facts* alleged in the complaint as true and construe all reasonable inferences in favor of the nonmoving party.” *Sterry v. Minn. Dept. of Corrections*, 986 N.W.2d 715, 723-24 (Minn. 2023) (emphasis added), *quoting Walsh v. U.S. Bank, N.A.*, 851 N.W.2d 598, 606 (Minn. 2014).

“A plaintiff must provide more than labels and conclusions” to survive a motion to dismiss. *Bahr v. Cappella University*, 788 N.W.2d 76, 80 (Minn. 2010). Moreover, a court is “not bound by legal conclusions stated in a complaint when determining whether the complaint survives” such a motion. *Hebert v. City of Fifty Lakes*, 744 N.W.2d 226, 235 (Minn. 2008).

When considering a Rule 12.02(e) motion, the Court may consider the entire written contract when the complaint refers to the contract *and* the contract is central to the claims alleged. *In re Hennepin Cnty. 1986 Recycling Bond Litig.*, 540 N.W.2d 494, 497 (Minn. 1995) (citation omitted). Here, the Complaint references two contracts central to the claims alleged and, therefore the Court will consider these contracts—the 2006 OAA and 2017 OAA—for purposes of this motion. (Idx. 1, p. 9-34).²

II. The Orderly Annexation Agreements.

On September 18, 2006, Farmington and Castle Rock entered the Joint Resolution/Orderly Annexation Agreement Between Castle Rock Township and the City of Farmington (“2006 OAA”). (Idx. 1, p. 9-22). The 2006 OAA, by combination of map and written description, designated multiple parcels of Castle Rock land as the orderly annexation area and expressly excluded from that area any property “within the boundaries of the City of Farmington.” Those who owned Castle Rock parcels within the orderly annexation area could petition Farmington to annex their Castle Rock parcels into Farmington. Upon entry of the 2006 OAA, the three Castle Rock parcels at issue (*i.e.*, the Olson parcel and the ISD 192 parcels) were unannexed and were included within the description of the orderly annexation area.

By its express terms, the 2006 OAA terminated on December 31, 2016.

On April 10, 2017, Farmington and Castle Rock entered the 2017 OAA. (Idx. 1, p. 22-35). The 2017 OAA identified, by map Exhibit A, a “designated area” for orderly annexation identical to the 2006 OAA map Exhibit A. However, and unlike the 2006 OAA, the four-corners of the 2017 OAA did not contain a written description of the designated area with identified exclusions, such as for property already within Farmington’s boundaries. Castle Rock alleges the three parcels at issue in this case were annexed under the 2006 OAA and 2017 OAA.³

² To the extent Castle Rock and Farmington have submitted, and invited the Court’s consideration of, documents beyond the Complaint and 2006 OAA and 2017 OAA, both of which are attached to the Complaint, the Court declines the invitation at this Rule 12 stage. The same is true for the parties’ requests to take judicial notice, meaning the Court respectfully declines.

³ Castle Rock attached to its filed Complaint the 2017 OAA with its Exhibit A (designated map) and Exhibit B (road segment map), as well as a document marked Exhibit C and which identifies itself as a “Legal Description of Designated Area.” There is no reference in the 2017 OAA to any exhibits other than Exhibits A and B. Nor does either party explain whether or how the Court should consider this untethered Exhibit C in analyzing the present motion to dismiss. Therefore, the Court declines to consider it.

The 2017 OAA states, in additional parts most relevant to the present motion:

- 2.1 The City shall have the right to annex land from within the Annexation Area during the period from the date of this Agreement through December 31, 2030, provided such annexations occur in accordance with the terms and conditions of this Agreement. The annexation pace shall be consistent with the requirements and standards set forth in the Comprehensive Plan, and zoning and subdivision regulations of the City.
- 2.3 All annexations shall be subject to the prevailing Comprehensive Plan, the Zoning Ordinance, and subdivision regulations of the City.
- 2.4. The Town will not file any objection with the MBAU concerning the City's annexation of any land within the Annexation Area described above, so long as the annexation complies with the terms and conditions of this Agreement.^[4]
- 3.1 The City will revise its Comprehensive Plan as needed to address properties located within the Annexation Area.
- 3.2 Except as provided in Sections 3.3 or 3.4, the Planning Commission and/or the City Council of the City shall not adopt an initial Comprehensive Plan designation for any property located within the Annexation Area, or subsequently modify, change, or alter in any way that initial Comprehensive Plan designation, without providing the Town reasonable advance notice of, and a reasonable opportunity to comment on, any such adoption, modification, change or alteration.
- 3.3. With regard to any proposed industrial or commercial use of property, the Planning Commission and/or the City Council of the City of Farmington shall not adopt an initial Comprehensive Plan designation for any property located within the Annexation Area, or subsequently modify, change, or alter in any way that initial Comprehensive Plan designation, without the consent of the Town Board, which consent may not be unreasonably withheld.
- 4.1. Pursuant to Minnesota Statutes, section 414.0325, subdivision 5(a), the parties agree the City shall have the authority to exercise planning authority within the Annexation Area as provided in this section. Prior to the actual annexation of a parcel of property located within the Annexation Area, the City's exercise of such planning authority shall be limited to adopting a Comprehensive Plan designation for that parcel, which will not affect the parcel's land use unless and until the annexation of the parcel is complete. Upon the effective date of the annexation of a parcel of property into the

⁴ The MBAU is the Minnesota Boundary and Adjustment Unit of the Court of Administrative Hearing, which adjudicates all municipal boundary adjustment matters in Minnesota.

City, the parcel shall become subject to the City's land use regulations. Prior to the effective date of annexation, the zoning and use(s) of a parcel located within the Annexation Area, and the construction or modification of structures located thereon, shall be controlled by the Town's Comprehensive Plan, Zoning Code, regulations and procedures, unless otherwise agreed to in writing by the City and the Town.

- 6.1 Annexations within the Annexation Area shall occur only if the owners of the properties to be annexed located (sic) within the Annexation Area petition the City for annexation. The City agrees to reject any petition that does not comply with the terms of this Agreement.
- 6.2 If the City intends to act on a petition to annex a parcel of property within the Annexation Area, the City shall, within 14 days of receipt of a petition to annex such property, submit to the Town the following:
 - (a) The legal description and a map of the property proposed to be annexed; and
 - (b) A description of the proposed use of said property, if known by the City, and with the express understanding that the City reserves the right to accept or reject any such proposed use. Upon receipt of submittals set forth above, the Town shall have 30 days in which to provide comments on the proposed annexation to the City.
- 6.3 Any time after the 30-day comment period, and review and consideration of any comments provided by the Town, the City may act by resolution to annex the parcel, provided such annexation is consistent with the terms of this Agreement. [...]
- 11.3 The terms, covenants, conditions and provisions of this Agreement, including the present and all future attachments, shall constitute the entire agreement between the parties, superseding all prior agreements and negotiations regarding the Annexation Area (with the exception of any jointly approved roadway maintenance agreements between the City and the Town and any payments owed to the Town pursuant to the previous orderly annexation agreement). There are no understandings, agreements or assumptions other than the written terms of this Agreement.
- 11.6 [...] Within thirty (30) days of receipt of an annexation resolution adopted by the City, which complies with this Agreement, the MBAU must order the annexation of the area described in the annexation resolution in accordance with the terms and conditions of this Agreement.
- 11.7 This Agreement shall terminate on December 31, 2030, or the date upon which all permitted annexation of land in the Annexation Area has been

completed, whichever occurs sooner. Notwithstanding the termination of this Agreement, the following provisions shall remain binding and enforceable after the termination of the agreement for all properties annexed under the terms of this Agreement:

(a) Section 7.4 -- Relating to use of tax rebate funds. Any funds in the separate road and bridge account (Section 7.4 hereof) shall remain available to the Town for the purposes referred to in Section 7.4 until the later of:

1. December 31, 2030, or
2. Two years after the City Council's approval of the last annexation of property located within the Annexation Area that occurs prior to December 31, 2030.

(b) Section 9 .1 - Relating to tax rebates; and

(c) Section 9 .2 - Relating to annual accounting.

12.2. This Orderly Annexation Agreement designates certain areas as eligible for orderly annexation and provides the conditions for the annexation of those areas. The parties agree that no consideration by the Chief Administration Law Judge of MBAU is necessary, and that therefore the Chief Administration Law Judge of MBAU may review, and comment, but shall, within thirty (30) days of the submission of a petition for annexation in conformity with this Agreement, order annexation consistent with the terms of this Orderly Annexation Agreement, and Resolutions submitted pursuant thereto.

12.3 This Agreement is, pursuant to Minnesota Statutes, section 414.0325, subdivision 6, a binding contract on the parties and provides the exclusive procedures by which unincorporated property identified in the Agreement may be annexed to the City. The City shall not annex any property from the Town in any manner, or by any procedure or authority that is not consistent with the terms of this Agreement. The parties do not intend any provision of this Agreement to be preempted by any provision of Minnesota Statutes, chapter 414 or any other law as it may exist or may later be adopted or amended.

The 2017 OAA expires upon the earlier of annexation of all properties within the designated area or December 31, 2030.

V. Analysis.

Whether a contract is ambiguous is a question of law for the court to decide. *Blattner v. Forster*, 322 N.W.2d 319, 321 (Minn. 1982). If the contract language is unambiguous, it is given its plain and ordinary meaning, even if the result appears harsh. *Id.* at 582; *Denelsbeck v. Wells Fargo & Co.*, 666 N.W.2d 339, 346–47 (Minn. 2003). When contract language is ambiguous, interpretation is a question of fact that cannot be resolved on a motion to dismiss. *In re Hennepin Cnty. 1986 Recycling Bond Litig.*, 540 N.W.2d 494, 497 (Minn. 1995).

When interpreting any contract, the Court construes the contract “as a whole and attempt[s] to harmonize all of its clauses.” *Storms, Inc. v. Mathy Const. Co.*, 883 N.W.2d 772, 776 (Minn. 2016), *see also Employers Mut. Cas. Co. v. A.C.C.T., Inc.*, 580 N.W.2d 490, 493 (Minn. 1998) (holding that “[t]he cardinal purpose of construing a contract is to give effect to the intention of the parties as expressed in the language they used in drafting the whole contract”) (citation omitted).

By its plain terms, the 2017 OAA is ambiguous as to whether it was intended to give Castle Rock some control over commercial and industrial use of an Annexation Area parcel once that parcel was annexed by Farmington. Specifically, the plain language of Sections 3 and 4 of the 2017 OAA:

limit Farmington’s comprehensive planning authority pre-annexation to *adopting* a comprehensive plan designation for an unannexed parcel (2017 OAA, § 4.1) and require Castle Rock’s consent to the designation if for commercial or industrial use (*Id.*, § 3.3); and

limit Farmington’s comprehensive planning authority post-annexation because a change in the comprehensive plan designation (*Id.*, § 3.3), which Farmington does not have the authority to make pre-annexation (*Id.*, § 4.1), could then only occur only after an initial designation is adopted and the property has been annexed.

Despite this indication that Castle Rock has some control over commercial and industrial use of the annexed parcels post-annexation, in that it can decline consent for such uses (provided its consent is not unreasonably withheld), the 2017 OAA then indicates Castle Rock has no such control, stating:

all annexations shall be subject to the prevailing comprehensive plan, the zoning ordinance and the subdivision regulations *of* Farmington (*Id.*, § 2.3);

upon the effective date of annexation, the parcel shall become subject to Farmington’s land use regulations (*Id.*, § 4.1); and

if Farmington intends to act on an annexation petition, it will submit to Castle Rock a description of the parcel’s proposed use, “if known by [Farmington], and with the express understanding that [Farmington] reserves the right to accept or reject nay such proposed use (*Id.*, § 6.2).

Thus, on the issue of whether the 2017 OAA allowed Castle Rock to limit industrial and commercial use of an annexed parcel, the 2017 OAA is ambiguous.

Generally, contractual ambiguity is a fact question that prevents a claim from being dismissed at the present stage.

However, dismissal is nonetheless required if Minnesota law does not allow an orderly annexation agreements to include conditions on a parcel's annexation that survive its annexation.

The object of all statutory interpretation is to ascertain and effectuate the intent of the Legislature. *Cocchiarella v. Driggs*, 884 N.W.2d 621, 624 (Minn. 2016). A statute is ambiguous only if it is susceptible to more than one reasonable interpretation. *500, LLC v. City of Minneapolis*, 837 N.W.2d 287, 290 (Minn. 2013). When interpreting a statute, the Court must read the statute as a whole to harmonize and give effect to all its parts. *328 Barry Ave., LLC v. Nolan Props. Grp., LLC*, 871 N.W.2d 745, 749 (Minn. 2015).

The Minnesota Legislature has expressly authorized municipalities and towns to enter orderly annexation agreements. Minn. Stat. § 414.0325. An orderly annexation agreement is a binding contract upon all parties to the agreement and is enforceable in the district court in the county in which the unincorporated property in question is located, and provides the exclusive procedures by which the unincorporated property identified in the orderly annexation agreement may be annexed to the municipality during the effective period of that agreement. Minn. Stat. § 414.0325, subd. 6. Thus, to the extent, Farmington cites cases involving private individuals/entities in land use litigation with municipalities, *see, e.g., Swenson v. City of Fifty Lakes*, 1989 WL 100642, at *1 (Minn. Ct. App. Sept. 5, 1989); *Northern Border Pipeline Co. v. Jackson County*, Minn., 512 F. Supp. 1261, 1263 (D. Minn. 1981), those cases are inapplicable to this case where two government entities have entered a contract of a type expressly authorized by Minnesota law not contemplated within those cases. *Thomas v. Housing & Redevelopment Authority of Duluth*, 234 Minn. 221, 249, 48 N.W.2d 175, 192 (1951) (municipalities are not to delegate their governmental power *without authority from the state legislature*).

Farmington states it “takes no issue with the joint planning process set forth in the 2017 OAA” but argues this process could not occur as to the parcels at issue *once annexed*. (Idx. 64, p. 7). Orderly annexation agreements may provide for joint planning and land use controls in all or part of the designated area and “any adjacent unincorporated or incorporated area, provided the area to be included shall be described in the joint resolution”. Minn. Stat. § 414.0325, subd. 5. There is no temporal limitation as to this statutory provision, however, each orderly annexation agreement here has an end date. By statute, the “designated area” is the unincorporated area. Minn. Stat. § 414.0325, subd. 1(a). The statutorily allowed joint planning may include establishment of a board to exercise planning and land use control authority, delegation of planning and land use to the municipalities or towns, or the establishment of “some other process within the orderly annexation agreement to accomplish planning and land use control ...” *Id.*

Here, the complaint alleges the 2006 OAA and the 2017 OAA identify an identical “Annexation Area” as of the date each agreement is effective. The complaint further alleges the

three parcels at issue were annexed under the 2006 OAA and 2017 OAA. By inference, at least one parcel identified in the joint resolution for the 2017 OAA—specifically within the “Annexation Area” and its Exhibit A—was incorporated as of the 2017 OAA. As a result, this parcel is arguably subject to the joint land use controls referenced in Minn. Stat. § 414.0325, subd 5, and implemented in 2017 OAA § 3.2. The complaint alleges the three parcels were annexed, then zoned mixed-use (industrial/commercial), and so designated for comprehensive planning, all by Farmington and without it securing Castle Rock’s consent. The Complaint alleges the 2017 OAA required such consent before Farmington took these land use actions. As a result, there is evidence Farmington breached the 2017 OAA.

Accepting the facts alleged in the complaint as true and construing all reasonable inferences in favor of Castle Rock, the nonmoving party, it is possible to grant relief on any evidence that might be produced consistent with the Complaint. Farmington’s motion to dismiss Count 1, breach of contract, must be denied.

As to Count 2, declaratory judgment, Farmington argues only that because Castle Rock’s declaratory judgment claim rests on its breach of contract claim, the declaratory judgment claim must be dismissed if the breach of contract claim is dismissed. Because the Court is not dismissing Castle Rock’s breach of contract claim at this Rule 12 stage, Farmington’s request to dismiss Count 2 must be denied.

TLP