

STATE OF SOUTH CAROLINA)	IN THE COURT OF COMMON PLEAS
)	NINTH JUDICIAL CIRCUIT
COUNTY OF CHARLESTON)	Civil Action No.: 2017-CP-10-05493
)	
Shem Creek Development Group, LLC,)	
)	
Plaintiff,)	ORDER DENYING DEFENDANT'S
)	MOTIONS FOR NEW TRIAL AND TO
v.)	RECONSIDER, ALTER OR AMEND
)	ORDER
The Town of Mount Pleasant, South Carolina,)	
)	
Defendant.)	

RECEIVED
Oct 16 2020
SC Court of Appeals

On July 13, 2020, the Court filed the Order for judgment in favor of Plaintiff Shem Creek Development Group, LLC (“SCDG”) in the above-captioned matter. On July 20, 2020, Defendant The Town of Mount Pleasant, South Carolina (the “Town”) filed Motions for New Trial and to Reconsider, Alter or Amend Order. On August 4, 2020, SCDG filed its Response in Opposition to Defendant’s Motions for New Trial and to Reconsider, Alter or Amend Order. After considering the law, the briefs filed by the parties, and all matters submitted, the Town’s Motion for New Trial and to Reconsider, Alter or Amend Order is **DENIED**.

STANDARD

The decision to grant or deny a motion under Rule 59(e), SCRCF, lies within the sound discretion of the trial court. *Pollard v. Cty. Of Florence*, 314 S.C. 397, 402, 444, S.E.2d 534, 536 (Ct. App. 1994). “An abuse of discretion arises where the judge issuing the order was controlled by error of law or where the order is based on factual conclusions that are without evidentiary support.” *BB&T v. Taylor*, 369 S.C. 548, 551, 633 S.E. 2d 501, 502-03 (2006).

CONCLUSIONS OF LAW

1. The Town objects to Paragraph 7 of the Order¹ on the basis of irrelevance; however, this paragraph correctly reflects the analysis of the Desman study and the testimony of Mr. Flesch and Mr. Small. (See Tr. 339:8-15; 352:21-353:2.) The information in Paragraph 7 establishes the factual background regarding the evolution of the project and demonstrates why the office component of the project was necessary to make the project economically feasible. It has nothing to do with the damages analysis included in the Order. Thus, the information is relevant and supported by the evidence.

2. The Town objects to Paragraphs 8-9 of the Order because it inaccurately characterizes the design of the Project. The Town's objection is invalid because it ignores the obvious fact that a "conceptual design" is conceptual by its very nature and is not intended to depict absolute compliance with applicable zoning requirements. The information in Paragraphs 8-9 correctly states the relevant foundational facts that led to the dispute and is appropriately included in the Order.

3. The Town objects to Paragraph 10 on the basis that it is not supported by the evidence or testimony at trial. Contrary to the Town's argument, Paragraph 10 correctly states the facts about who received the parking layout concept, and it is supported by the exhibits and trial testimony. (See Pl.'s Ex. 7, § 3.04; Tr. 343:1-346:12, 371:24-372:12; 435:14-438:13.) Furthermore, the fact that Mr. Pagliarini was involved in the drafting and revisions to the Agreement are confirmed by § 8.12 of the Agreement, Plaintiff's Exhibit 39, and the trial testimony (Tr. 119:17-21, 123:1-9, 214:20-24, 238:5-239:7, 348:1-8).

¹ Unless otherwise indicated, all references to "Paragraphs" in this order refer to the paragraphs in the Court's Order, dated July 13, 2020.

4. The Town also objects to Paragraph 10 because it characterizes the parking license agreement as creating a public-private partnership, but this characterization is confirmed by multiple trial exhibits and the testimony of multiple witnesses, including Mr. Eric DeMoura, who testified that the garage project was a public-private partnership. (See Pl.'s Ex. 37-38; Tr. 104:10-15, 400:3-11, 401:20-405:7, 621:6-10.)

5. According to the Town, Paragraph 11 incorrectly characterizes the parking license agreement as a construction agreement. The Town's argument is incorrect because Paragraph 11 does not characterize the agreement as a construction agreement. Rather, it merely states that SCDG – as opposed to the Town – was responsible for constructing the project.

6. In response to Paragraph 12 of the Order, the Town complains that the Court has rewritten the parking license agreement. However, Paragraph 12 correctly states that the parking license agreement made rent reduction a possibility. Because the rent was only to be reduced if the garage was profitable and there was no guarantee of profitability, rent reduction was only a possibility.

7. The Town objects to Paragraph 15 of the Order as irrelevant and erroneous. Contrary to the Town's objection, the Court did not rewrite the parking license agreement. The fact that the Town neither conducted any analysis to determine the number of spaces needed to meet the parking demand in the area nor insisted that 276 total spaces and 132 public spaces be a minimum requirement is directly relevant to the materiality analysis in the Order. Therefore, Paragraph 15 is accurate and relevant.

8. The Town objects to Paragraph 16 as irrelevant and misleading. This objection has no merit because Paragraph 16 accurately reflects Mr. Small and Ms. Farrell's testimony and the relevant trial exhibits. (See Tr. 353:22-354:18, 621:11-624:5.)

9. The Town's objection to Paragraph 17 mischaracterizes the finding and attempts to put words in the Court's mouth that do not exist. Nowhere in that paragraph does the Court state that the ordinance in question was "solely" meant for the economic benefit of Mr. Small. Thus, this objection has no merit.

10. In response to Paragraph 20, the Town complains that the Court has misstated the significance of the survival clause and rewrites its provisions. The Town mischaracterizes the Court's finding in Paragraph 20, which merely states verbatim what § 8.17 provides. Moreover, the Town cites no language that would support an interpretation that any of the Town's rights survive the termination of the parking license agreement. Instead, the Town, in conclusory fashion, states that the Court is "inappropriately rewrite[ing]" the contract, and then argues that the damages provision is an unenforceable penalty, which is an argument that has been repeatedly raised by the Town and rejected by the Court.

11. The Town argues that Paragraph 22 omits important facts. However, the facts allegedly omitted lack evidentiary support. Notably, the Town does not cite to the transcript or any exhibit to support its characterization of the evidence. In fact, no testimony or evidence supports its assertion. Jeff Johnston, the project architect, discussed during his testimony the phases of the design process, and based on his explanation of when he started working, it would have been impossible for SCDG to know prior to December of 2013 that the site could not yield 276 total and 132 public spaces, especially when the Town did not enact the required height and first floor zoning amendments until December of 2013. (Tr. 720:10-724:7.) Furthermore, the initial plan was not finalized for presentation to the Town until April of 2014, and that plan contained more than 132 public spaces and only ten short of 276 total spaces. (Pl.'s Ex. 50; Tr. 735:19-736:24.) Mr. Johnston testified that the site could have yielded approximately 270 total

spaces (and possibly 276 total spaces) if the Town had approved reasonable measures to increase spaces. (Tr. 758:2-15.) Thus, the evidence does not support a finding that SCDG knew from the beginning that the project could not produce all spaces planned for the garage and had withheld information from the Town. Instead, all relevant evidence demonstrates that SCDG consistently worked in good faith to produce as many spaces as possible.

12. The Town's objection to Paragraph 27 is confusing because Paragraph 27 neither infers a previously submitted plan nor discusses vested rights. Therefore, there is no basis for the Town's objections to this paragraph.

13. The Town objects to Paragraph 28 by incorrectly characterizing what the Court stated about the width of the parking spaces. Contrary to the Town's claim, Paragraph 28 does not state that the "appropriate width of garage parking spaces was 8 ½'." Instead, it provides factual background of why Mr. Johnson's initial design included 8 ½' wide spaces. This information is relevant because it shows that the use of 8 ½' wide spaces is customary and that it would have been reasonable for the Town to accept 8 ½' wide spaces if maximizing the number of spaces in the garage was as important as it would have the Court believe.

14. The Town's characterization of Paragraph 29 is incorrect. Paragraph 29 does not incorrectly presume that the Town "failed in its State-mandated notice requirements." In fact, in Paragraph 30, the Court expressly states that "the Town followed the lawful process for providing notice of zoning amendments." Rather, Paragraph 29 merely states that SCDG and SMHa were not aware of the zoning amendments. Also, by focusing solely on the Mill Street setback change's impact on parking spaces, the Town ignores the more substantial impact on parking spaces caused by the Church Street setback changes and the significant monetary injury resulting from the Mill Street setback change. Furthermore, the Court did not "manufacture" its finding in Paragraph 29,

as the Town contends, because that paragraph is directly supported by Ms. Farrell's testimony. (See Tr. 638:9-643:20.)

15. The Town complains that Paragraphs 30 and 32 are erroneous, but those paragraphs are supported by Ms. Farrell's testimony. (See Tr. 638:9-643:20, 647:15-649:20.)

16. The Town objects to Paragraph 33 as being incorrect. Yet the Town's objection is confusing because Paragraph 33 neither expressly nor implicitly states that a previous plan had been submitted to the Town as it claims. Moreover, there is no discussion of vested rights in Paragraph 33. Nor does Paragraph 33 rewrite the parking license agreement as the Town claims. Paragraph 33 is nothing more than an accurate finding of facts about what was presented to the Town by SMHa in the April 11, 2014 meeting.

17. The Town claims that Paragraphs 34, 40, and 50 mischaracterize or omit facts related to the Town's ruling on the marine zoning district issue, but as explained in Paragraph 50 of the Order and supported by Mr. Prause's testimony, the Town's ruling on the marine zoning district was mandated by law and was not discretionary. (See Tr. 449:18-453:25, 614:1-17.)

18. The Town objects to Paragraphs 35, 37, and 38 of the Order based on arguments related to the exhaustion of administrative remedies defense. The Town's objections to Paragraphs 35, 37, and 38 have no merit because the Court properly rejected the Town's exhaustion of administrative remedies defense in footnote 4 of the Order.

19. The Town complains that Paragraph 39 mischaracterizes the parking license agreement's requirements regarding surface parking. However, the Town's claim that the parking license agreement did not specifically permit the inclusion of surface parking in the number of spaces is belied by the parking license agreement and the testimony at trial. Sections 1.06 and 2.01(b) define the "Premises" as "only the [132] Public Spaces." Although Section 2.01(b) states

that the Premises does not include surface parking areas, the parking license agreement does not prohibit on-street surface parking to be included in the reserved spaces. (See Pl.'s Ex. 7 §§ 1.06 and 2.01(b); Tr. 309:23-310:19, 324:20-327:24, 528:4-529:19.) Also, the Town's argument that DOT approval was required ignores the fact that DOT approval could not have been sought because the Town rejected SCDG's plan for on-street parking.

20. The Town objects to Paragraph 43, claiming that it incorrectly states the facts. However, Paragraph 43 includes no incorrect statements of fact. In fact, the Town's objection to Paragraph 43 confirms that restaurant parking was not relevant to whether SCDG's approved design complied with the requirements of the parking license agreement. The fact that the Town sought to address this issue in its determination of purported non-compliance by SCDG further demonstrates its bad faith under the parking license agreement.

21. In response to Paragraph 46, the Town asserts that the Court improperly relied on the videos of the relevant Town Council meetings. The Court has previously rejected the basis of the Town's objections to Paragraph 46, and the Town has failed to proffer any persuasive reason for the Court to reverse itself now. In fact, in direct contradiction to the Town's argument here, Mr. DeMoura testified that that he had no reason to contest the accuracy of the YouTube videos. (See Tr. 461:2-5.) And it is disingenuous for the Town to question the authenticity of the videos when it referred SCDG to the Town's YouTube channel in response to SCDG's discovery requests for videos of the relevant council meetings. (See Tr. 460:22-461:1.)

22. The Town alleges that the findings regarding the Town's lack of analysis regarding the adequacy of parking spaces as set forth Paragraph 47 are irrelevant. The fact that the Town conducted no analysis to determine the number of spaces needed to meet the parking demand in

the area is directly relevant to the materiality analysis in Paragraphs 81-83 of the Order. Therefore, Paragraph 47 is relevant.

23. The Town objects to Paragraph 53 as being irrelevant. Contrary to the Town's claim, Paragraph 53 is directly relevant to the Court's materiality analysis in Paragraphs 81-83 because it establishes facts necessary to determine whether and to what extent the Town has been deprived of any benefits under the parking license agreement.

24. In response to Paragraph 62, the Town accuses the Court of being inappropriately influenced by the videos of Town Council meetings. However, the Court's decision was based on the totality of all evidence presented at trial over the course of four days, and the Court would have reached the same result regardless of whether the videos were presented during trial.

25. The Town argues that the Court committed an error of law in Paragraph 65 by holding that the Town cannot exercise its legislative authority to amend its own zoning ordinance. The Town, however, mischaracterizes the conclusions in Paragraph 65. Furthermore, the Town cites no legal support for its argument. Instead, it relies on a red herring about SCDG's lack of vested rights in the project. Paragraph 65, however, does not address vested rights in any manner. Rather, it deals with the implied covenant of good faith and fair dealing, which exists in every contract. *See Parker v. Byrd*, 309 S.C. 189, 194, 420 S.E.2d 850, 853 (1992) ("There exists in every contract an implied covenant of good faith and fair dealing."). The Town has a duty to comply with the duty of good faith and fair dealing in every contract to which it is a party, regardless of the other contracting party's vested rights. In making its novel argument, the Town attempts to limit the duty of good faith and fair dealing in a way that has no precedential or logical support. As a result, the Town's argument is rejected.

26. In Paragraph 35 of its Motion, the Town contends that the Court reached a “bizarrely inconsistent legal assertion” in its ruling on SCDG’s breach of covenant of good faith and fair dealing claim. What the Town characterizes as a “bizarrely inconsistent legal assertion” is nothing more than a fundamental principle of contract law, which is that it is not illegal to breach a contract. *See Taylor Steel, Inc. v. Keeton*, 417 F.3d 598, 608 (6th Cir. 2005) (“Breach of contract might give rise to a civil suit, but it is not illegal.”); *United States v. Blankenship*, 382 F.3d 1110, 1133 (11th Cir. 2004) (“It is not illegal for a party to breach a contract; a contract gives a party two equally viable options (perform or pay compensation), between which it is generally at liberty to choose.”); *Windsor Secur., Inc. v. Hartford Life Ins. Co.*, 986 F.2d 655, 664 (3rd Cir. 1993) (“Breach of contract is not ‘illegal’ either under common usage . . .”); *Benderson Dev. Co. v. United States Postal Serv.*, 998 F.2d 959, 962 (Fed. Cir. 1993) (“To breach a contract is not unlawful; the breach only begets a remedy in law or in equity.”). The implied covenant of good faith and fair dealing is “merely another term of the contract.” *Rotec Servs. v. Encompass Servs.* 359 S.C. 467, 472, 597 S.E.2d 881, 884 (Ct. App. 2004). In violating the implied covenant of good faith and fair dealing, the Town did not act unlawfully. Similarly, the Town did not have to commit an unlawful act to breach the implied covenant of good faith and fair dealing. Thus, Paragraph 35 is not inconsistent, and the Town’s argument does not warrant reconsideration of the Court’s conclusion that the Town breached its duty of good faith and fair dealing in this case.

27. In its objection to Paragraph 67, the Town argues that the Court has committed an error of law by inappropriately acting in an appellate capacity but offers no legal support for its position. The Court clearly was not acting in an appellate capacity in ruling that the Town violated its duty of good faith and fair dealing by failing to apply reasonable interpretations of the zoning code that would have fulfilled the purposes of the parking license agreement.

28. According to the Town, the Court made improper determinations about Town Council's intent in Paragraph 70. The Town's objection to Paragraph 70 has no merit. Contrary to the Town's argument, the Court did not make any determinations about the individual intent and motivation of each Council member. Instead, the Court makes clear that its conclusions apply to the Town as a whole based on the collective actions of the Town's staff and Council.

29. The Town objects to the citations of decisions from other jurisdictions in Paragraph 71. Yet there is nothing improper with the citation of judicial decisions from other jurisdictions. The Court's order does not indicate that it finds the decisions cited in Paragraph 71 as controlling. Instead, it is clear that these decisions are cited as persuasive authority supporting the proposition that the implied duty of good faith and fair dealing applies to discretionary acts of government. As such, it is entirely appropriate to cite cases from jurisdictions outside of South Carolina. *See State Farm Mut. Auto. Ins. Co. v. Goyeneche*, 837 S.E.2d 910, 917, 837 S.E.2d 910, 917 (Ct. App. 2019) ("When there is no South Carolina case directly on point, our courts may look to persuasive authority from other jurisdictions.").

30. According to the Town, Paragraph 72 incorrectly holds that the Town was required to exercise its legislative authority only in a way to favor a party to a contract. The Town's objection to Paragraph 72 is misguided and overstated. First, Paragraph 72 does not hold that "the Town was required to exercise its legislative authority only in a way to favor a party to a contract." Instead, it states the uncontroversial proposition that the Town had a duty of good faith and fair dealing to take reasonable steps to fulfill the purpose of the parking license agreement and to avoid taking actions that interfered with the purpose of the parking license agreement. Second, Paragraph 72 is not based on any legal principle that interferes or hinders a governmental entity's legislative authority. To be sure, the Court's order in no way invalidates any of the actions

challenged in this lawsuit. The Court's ruling is simple: If a local government enters into a contract, it can either perform under the contract or not. But if it refuses to perform or takes other actions to interfere with that contract, it is subject to civil liability, just like any private party. This is not an error of law but rather the application of general principles of contract law to a governmental entity.

31. The Town objects to Paragraph 74 as an error of law that disregards material terms of the parking license agreement. The Town's objection to Paragraph 74 has no merit because the Court made clear in Paragraph 76 that it need not determine whether the parking license agreement required SCDG to design the garage with no less than 276 total spaces.

32. In Paragraph 41 of its Motion, the Town contends that the Court committed an error of law by admitting evidence in the record. However, there was no error in the Court's admission of evidence during trial. The Supreme Court's ruling in *Brown v. Allstate Ins. Co.* is clear: "A trial judge's role in a bench trial is to admit all evidence and then evaluate in a non-jury setting." *Id.*, 344 S.C. 21, 27, 542 S.E.2d 723, 726 (2001). This is exactly what the Court did in this case. Furthermore, the Town's objection is based on a mischaracterization of the Court's ruling. The Court did not conclude "that 276 parking spaces was never a material term of the Agreement" as the Town claims. Instead, the Court ruled that SCDG's design with 234 total spaces and 117 public spaces was not a material breach of the agreement. The distinction between "material term" and "material breach" is important and ultimately dooms the Town's argument.

33. The Town argues that Paragraph 75 incorrectly holds that 276 parking spaces was not a material term of the parking license agreement. But the Court did not rule that 276 parking spaces was not a material term as the Town claims. The Town obviously confuses the concept of "material term" with "material breach." A breach of a "material term" of a contract can be so

insubstantial that it does not constitute a “material breach.” As concluded in Paragraph 75, SCDG’s approved design gave the Town substantially all that it bargained for in the parking license agreement.

34. The Town makes numerous objections to the Court’s materiality analysis in Paragraphs 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, and 89. The Town’s objections to the Court’s materiality analysis is unpersuasive. First, the Town incorrectly suggests that the materiality analysis under *Kiriakides* does not apply to this case because *Kiriakides* involved a commercial lease agreement. But, as stated in Paragraph 79 of the order, the materiality factors set forth in *Kiriakides* apply to contracts beyond commercial leases as confirmed by *Palmetto Mortuary Transp., Inc. v. Knight Sys.*, 424 S.C. 444, 462-63, 818 S.E.2d 724, 734-35, fn. 5 (2018). Second, the conclusory arguments presented by the Town to counter the Court’s materiality analysis ignores nearly all evidence on which the Court relies. Materiality was the most important issue at trial, and the Court devotes fourteen paragraphs and over five pages to addressing that issue in the Order. Yet the Town has not addressed the specific findings regarding materiality and, instead, summarily dismisses the ruling on this issue in one paragraph by repeating the same conclusory findings that it submitted in its proposed order. This is simply insufficient to warrant reconsideration of the Court’s conclusions regarding materiality.

35. According to the Town, Paragraph 81 incorrectly identifies the concept of “adequacy” to inappropriately alter the written, material terms in the Agreement and, inexplicably, attributes more significance to this judicially manufactured term than to an unambiguously stated material term. The Town complains that “adequacy” of spaces is a “judicially manufactured term,” but it is actually a common-sense approach to determining whether SCDG’s approved design deprived the Town of the benefits it bargained for in the parking license agreement. The Town

sought additional parking to serve the parking demand for the Shem Creek area, and determining whether the proposed parking spaces would have provided that benefit necessarily involves analyzing the demand for parking that existed and whether SCDG's proposal could adequately satisfy that demand. Because that analysis does not favor the Town, it seeks to limit the analysis of the alleged deprivation of benefits to the percentage of reduction in total spaces. The Town's sole focus on the percentage deficiency in the number of total spaces does not accord with the analysis required under *Kiriakides*. As stated in the *Restatement (2d) of Contracts* § 241, which was adopted under *Kiriakides*, the first factor requires that "all relevant circumstances must be considered" in determining whether the injured party has been deprived of the benefit to which it reasonably expected. *See also, U.S. ex rel. Virginia Beach Merch. Srvs., Inc. v. Samco Constr. Co.*, 39 F. Supp. 2d 661, 671 (E.D. Va. 1999) (declaring that "principles of contract law do not rely on 'percentages alone' to discern between a material and minor breach") (citing *Restatement (2d) of Contracts* § 275). By focusing solely on the total space reduction percentage, the Town disregards the many benefits that the Town expected to receive from the parking license agreement. Thus, the Court appropriately conducted the materiality analysis by reviewing, among other factors, the adequacy of the spaces that SCDG designed.

36. The Town alleges that Paragraph 87 incorrectly states facts regarding the feasibility of a third level of parking in the garage. Contrary to the Town's argument, Paragraph 87 correctly states the facts about the feasibility of another level of parking and its impact on the project, and it is supported by the exhibits and trial testimony. (See Def.'s Ex. 22; Tr. 396:8-397:16, 343:5-16, 755:9-756:2.)

37. The Town claims that Paragraphs 90-93 incorrectly state facts regarding the Town's action that prevented SCDG from performing under the parking license agreement. The Town's

objections have no merit. SCDG's concept plan was based on reasonable assumptions regarding its ability to reduce applicable setbacks and the permitted width of parking spaces. Although those assumptions were upended by the Town's zoning amendments and refusal to accommodate reasonable alternatives proposed by SCDG, SCDG, nevertheless, delivered an approved design with 89% of the initially anticipated number of public spaces. If the Town had cooperated with SCDG and approved reasonable measures to increase space, SCDG could have delivered approximately 270 total spaces (and possibly 276 total spaces), as Mr. Johnston testified. (Tr. 758:2-15.)

38. In response to Paragraphs 94-104, the Town objects to the Court's interpretation of the parking license agreement based on the same arguments that it raised numerous times both prior to and after trial. The Court has carefully considered these arguments on numerous occasions, and the Town has failed to provide any good reason for the Court to reconsider its prior rulings.

For the foregoing reasons, the Town's Motions for New Trial and to Reconsider, Alter or Amend Order is denied.

IT IS SO ORDERED.

_____, 2020

Charleston, South Carolina

The Honorable Maite Murphy



Charleston Common Pleas

Case Caption: Shem Creek Development Group LLC VS Mount Pleasant South Carolina Town of The

Case Number: 2017CP1005493

Type: Order/Other

So Ordered

s/ Maite Murphy 2166