
LEGAL UPDATE

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IOWA SUPREME COURT DECISION — HOMESTEAD PROVISIONS AND MECHANIC'S LIENS

Purpose. *Legal updates are prepared by the nonpartisan Legal Services Division of the Legislative Services Agency. A legal update is intended to provide legislators, legislative staff, and other persons interested in legislative matters with summaries of recent meetings, court decisions, Attorney General Opinions, regulatory actions, federal actions, and other occurrences of a legal nature that may be pertinent to the General Assembly's consideration of a topic. Although an update may identify issues for consideration by the General Assembly, it should not be interpreted as advocating any particular course of action.*

Standard Water Control Sys., Inc. v. Jones

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No. 17-2009

www.iowacourts.gov/courtcases/4395/embed/SupremeCourtOpinion

Facts and Procedural Background. In June 2013, Michael and Cori Jones hired Standard Water Control Systems, Inc. (Standard Water) to waterproof their basement. The parties entered into a written contract. The contract stated the Joneses would be liable for Standard Water's attorney fees in the event Standard Water brought any type of collection action against the Joneses to recover unpaid amounts. The contract required the Joneses to pay Standard Water \$6,000 for the work. The Joneses paid Standard Water \$600 as a down payment.

On July 15, 2013, a Standard Water employee drilled through the house's water and sewer lines, which were unexpectedly buried within the concrete basement floor. Standard Water informed the Joneses that a plumber would need to repair this damage before it could proceed with its work. Standard Water billed the Joneses \$5,400. The bill indicated interest of 12 percent per annum would be charged on past-due balances.

The Joneses did not repair the water and sewer lines for approximately two months, did not allow Standard Water to complete the work, and did not pay the bill.

On July 31, 2013, Standard Water posted a mechanic's lien to the lien registry. On October 1, 2013, the Joneses' counsel made demand on Standard Water to foreclose its mechanic's lien. On October 30, 2013, Standard Water filed a petition to foreclose the mechanic's lien in the Polk County District Court (district court). The district court ruled Standard Water was entitled to a judgment for \$5,400, plus interest at 12 percent per annum from July 15, 2013, assuming the Joneses allowed Standard Water to complete the work. In a supplemental order, the district court awarded Standard Water \$43,835.25 in attorney fees. On October 21, 2015, Standard Water arranged for a special execution on its judgment and caused the house to be sold at a sheriff's sale. Standard Water was the winning bidder for \$45,000.

The Joneses appealed the district court's decision. On appeal, the Joneses made multiple arguments, including that the amount of attorney fees was excessive. On August 31, 2016, the Iowa Court of Appeals (court of appeals) upheld the judgment except for the amount of attorney fees. The court of appeals remanded the case "for additional fact-finding to determine an [attorney fee] award consistent with the facts presented in this case"

On March 24, 2017, the district court entered an order reducing Standard Water's district court attorney fees by \$2,165, but awarding Standard Water an additional \$17,283.44 for appellate attorney fees. Thus, the revised judgment totaled \$58,953.69 for attorney fees.

On May 9, 2017, the Joneses filed a second appeal. The Joneses argued the new total of \$58,953.69 for attorney fees was excessive. On February 7, 2018, the court of appeals rejected this contention.

On August 10, 2017, the Joneses filed a motion to vacate the writ of special execution. In the motion, the Joneses argued for the first time that the house was their homestead and could not be sold to pay attorney fees. On August 21, 2017, the district court denied the Joneses' motion. In its order, the district court reserved a later determination as to whether the house was the Joneses' homestead and, if so, whether the lien amount could include attorney fees. In a November 12, 2017, post-sale order, the district court held Iowa's mechanic's lien statute does not allow a homestead to be sold to recover attorney fees. However, the district court also held the Joneses were barred from making this argument because of the doctrines of judicial estoppel, law of the case, and res judicata. The Joneses appealed this decision, their third appeal.

On February 9, 2019, the court of appeals upheld the district court's ruling that Iowa's mechanic's lien statute does not allow a homestead to be sold to recover attorney fees. However, the court of appeals overturned the district court's ruling that judicial estoppel, waiver, and res judicata barred the consideration of the Joneses' homestead arguments. Standard Water applied for, and the Iowa Supreme Court (Court) granted, further review on this issue.

Issue. Whether a contractor can recover attorney fees from the sale of property that qualifies as a homestead under Iowa's mechanic's lien statute.

Holding. The Court held a contractor cannot recover attorney fees from the sale of property that qualifies as a homestead under Iowa's mechanic's lien statute.

Analysis. This case examines the conflict between Iowa's homestead protections (Iowa Code chapter 561), which generally protect homesteads from judicial sale, and Iowa's mechanic's lien statute (Iowa Code chapter 572), which generally allows contractors to recover materials and service fees through judicial sales.

Under Iowa Code section 561.16, Iowa's homestead exemption, "[t]he homestead of every person is exempt from judicial sale where there is no special declaration of statute to the contrary." Iowa Code section 516.21 provides that the homestead may be sold to satisfy debts "incurred for work done or material furnished exclusively for the improvement of the homestead." In terms of mechanic's liens, Iowa Code section 572.32 provides "[i]n a court action to enforce a mechanic's lien, a prevailing plaintiff may be awarded reasonable attorney fees."

The Court began by analyzing a prior Court case in which it was required to resolve other conflicts between Iowa's homestead protections and other areas of the Iowa Code. In *In re Property Seized from Bly*, 456 N.W.2d 195, 196 (Iowa 1990), the Court considered the issue of "whether a legitimately acquired homestead may be forfeited to the State under Iowa Code chapter 809 . . . when it has been used by its owner to facilitate the commission of a criminal offense." The forfeiture statute in question provided that property used to facilitate the commission of a criminal offense was subject to forfeiture. However, Iowa Code section 561.16 requires a "special declaration." The *Bly* court pointed out that "neither the homestead exemption nor chapter 561 is mentioned anywhere in the [statutory definition of forfeitable property or the chapter of the Iowa Code devoted to forfeiture]." As a result, the *Bly* court stated:

In light of the legislature's choice not to refer to the homestead law in chapter 809, we conclude that the current Iowa statutes do not permit the State to forfeit a legitimately acquired homestead under section 809.1(2)(b) even though the homestead was used by its owner to facilitate the commission of a criminal offense.

The Court concluded that, pursuant to *Bly*, Iowa Code section 572.32 did not contain a “special declaration” that would override the homestead exemption because the language in Iowa Code section 572.32 did not include the homestead exemption.

The Court then considered the counterargument that a “special declaration” is not necessary in this case because the exception for debts “incurred for work done or material furnished exclusively for the improvement of the homestead” contained in Iowa Code section 561.21 already includes attorney fees incurred to enforce those debts. The Court stated the language in Iowa Code section 561.21 is similar to the language governing mechanic’s liens, and such language did not authorize the recovery of attorney’s fees until Iowa Code section 572.32 was added by the legislature in 1983. The Court concluded that “[a]ttorney fees are not a debt incurred for work done or material furnished. They are a debt incurred for *collecting* a debt for work done or material furnished.”

The Court recognized that, contrary to the holding in *Bly*, many Iowa cases have allowed for specific statutory provisions to supersede the homestead exemption even when those specific statutory provisions do not specifically include the homestead exemption. The Court dismissed the idea that those cases allow Iowa Code section 572.32 to supersede the homestead protections by explaining:

Iowa Code section 572.32, like the criminal forfeiture law in *Bly* and unlike the laws governing divorce, partition, and taxes in [the prior cases], is a relatively recent progeny of the legislative process. The legislature did not elect to make a “special declaration” regarding the unavailability of the homestead exemption in 1983 when it enacted section 572.32.

In support of its conclusion, the Court referenced a canon of statutory construction (*generalia specialibus non derogant*) codified at Iowa Code section 4.7 that provides “[i]f a general provision conflicts with a special or local provision, they shall be construed, if possible, so that effect is given to both. If the conflict between the provisions is irreconcilable, the special or local provision prevails as an exception to the general provision.” The Court noted that Iowa Code section 572.32 contains only a remedy, while Iowa Code sections 561.16 and 561.21 contain both exemptions and remedies. As a result, the Court concluded the homestead provisions are more specific, and therefore should be given effect over the mechanic’s lien statute.

The Court indicated there were policy reasons to conclude the homestead exemption does not allow for the recovery of attorney fees in a mechanic’s lien foreclosure action. In disputes between homeowners and residential contractors, the contractor’s attorney fees may exceed the amount in dispute. The Court stated that, in such cases, the legislature may not have wanted homeowners to have their homes sold as part of the mechanic’s lien process to pay such amounts.

The Court concluded the homestead exemption prohibits efforts to recover attorney fees in mechanic’s lien foreclosure actions. The Court also concluded the doctrines of *res judicata* and waiver further barred the Joneses from arguing this position.

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