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THE 4VF'REMB COURT OF THE &ATE OF ALASKA

/m 72,23

iNA KOPANUK,

Petitioner,

Supreme Court No. S-6432

v.

'Superior Court No. 4BE-92-288 CI

AVCP REGIONAL HOUSING AUTHORITY,

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Reepondsnt.

[No. 4257 - September 15, 19951

Petition **for Rearing** from the Superior Court of the State of Alaska, Fqurth Judicial **District**, Fairbanks, Honorable Niesje J. Steinkruger, Judge, on appeal from the **District** Court for the Fourth Judicial Dietrict, Bethel, Honorable Dale O. Curda, Judge.

Aipearances: **James J. Davis, Jr .;** and' h&o~~h ' Reichard, Alaska Legal **Service6** Corporition, Bethel, and Carol H. Daniel and Joseph D. Johnaon, Alaska Legal Service6 Corporation, Anchorage, for Petitioner. Kim Dunn, Birch, Horton, Bittner & Cherot, Anchorage, for Respondent. W. Michael Stephenson, Jermain, Dunnagan C Owens, Anchorage, for Amicus Curiae Copper River Basin Regional Housing Authority. **James E. Torgerson**, Assistant U.S. **Attorney**, and Robert C. Bundy, United States Attorney, Anchorage, and Althea M. Forrester, **Attorney**, and Nelson A. **Diaz**, General Counsel, Housing C Urban Dev., Washington Q.C., for Amicus **Curiae** United States.

Before: Moore, Chief Justice, Rabinowitz, Matthewa, Compton and Eastaugh, Justices.

COMPTON, Justice.

I. **INTRODUCTION**

Dana Kopanuk entered into a aoritract regarding home Occupancy with the Association of Village Council Presidents Regional Housing Authority (AVCP RRA). Upon breach by Kopanuk, AVCP RHA initiated a forcible entry and detainer (FED) action in district court. **Kopanuk** challenged the district court's subject matter jurisdiction, **arguing** that equitable **interests were** at issue. Be asserted #at the contract was not a lease with **an** option to purchase, but rether an installment contract for male of real property. The district court denied his challenge and the superior court affirmed, We granted Kopanuk's petition for hearing, Appellate Rule 302(b)(1), and now reverse.

II. **PACTS AND PROCEEDIN=**

i' In 1982 Kopanuk entered into an agreement with AVCP RHA **regarding** acquisition of a home. This agreement is titled a "Mutual Help and Oceupkcy Agrecment"¹¹ (WHOA). The agreement, while ei@d with a state agency, is part of a federal Housing and Urban Development (HUD) program to aid low-income Indian and Native families under the Indian Housing **Act,** P.L. No. 100-358. AVCP RHA - was chartered.in order to provide low-oost housing in certain villages. AS 18.55.995, .996.

The **WHOA** Is a form contract provided **by** HUD. **HUD** requires the **MHOA** to be used **in** all cases where the agency is receiving Mutual Help and Occupancy (WHO) funds. The **WHOA** requires a non-refundable land contribution, which in this case was contributed by a Native corporation. The WHOA is self-described

at a lease, although it contains provisions typical of both installment **contracts** and leases. Monthly payments are required. A minimum monthly payment goes to an administrative charge, and payments over this amount **are** credited to an "Equity Payments Account." The required monthly **payment is** adjusted for each contractee, and depends on his or her income. Voluntary overpayments **are** credited to another equity payments account. The home can be purchased, at any time if several conditions **are** met. The purchase price declines over 25 years, eventually reaching zero. Upon termination, **amounts** in equity **payments** accounts will be refunded to the homebuyer after deducting amounts necessary to make repairs or cover unpaid required monthly payments.

" In either 1991 or 1992, Kopanuk fell behind in his payments. He also left the home **for** an extended period, an alleged breach of the KHA. In mid-1992 AVCP KHA filed an **FED** action in district court in Bethel seeking to evict Kopanuk. At the hearing, the parties **negotiated a settlement**. This settlement was entered as a Conditional Order for Possession. The **order** provided that--- AVCP KHA would recover possession unless Kopanuk paid his back payments, returned to Mountain Village, minimized the noise from the home, and "actively communicate[d] and cooperate[d]" with AVCP WA. Kopanuk failed to return to Mountain Village and AVCP KHA prepared to enforce the order. In April 1993 Kopanuk **filed** a Civil Rule 60(b) motion to vacate the order. He challenged the subject matter jurisdiction of the district court, arguing that the

agreement was not a lease but rather a mortgage, something not cognizable in an FED action. The district court denied Kopanuk's motion, holding that the MIOA was a 'lease/purchase agreement, properly the subject of an FED proceeding.

On appeal to the superior court, the district court judgment was affirmed. The court held that the WHOA was a lease/option agreement, with no guarantee of eventual vesting of title in Kopanuk. We granted Kopanuk's petition for hearing.

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The standard of review is *Wm. In m 4iEauitiem, Inc. v. First National Bank of Fairbairn*, 685 P.2d 1232 (Alaska 1964), appellants challenged the trial court's denial of a Rule 60(b)(4) motion to set aside the default judgment. We noted that, "In reviewing the denial of a Rule 60(b)(4) motion, this court does not **defer to** the discretion of the trial court." & at 1236. We give no deference to the superior court because "the validity of a judgment is strictly a question of law." & (quoting *Acmchak v. Montuow Wud m*, 800 P.2d 1352, 1354 (Alaska 1974)). According to *Perry v. Newkirk*, 871 P.2d 1150, 1153 n.S (Alaska 1994), voidness under 60(b)(1) also encompasses the concept of lack of subject matter jurisdiction."

Interpretation of a contractual agreement presents a question of law. *Aviation Assocs., F&D. v. TEMSCO Helicopters, Inc.*, 881 P.2d 1127, 1130 (Alaska 1994). **When** reviewing questions

of law, this court applies its' independent judgment. Mers v. ~z~en, 852 P.2d 1165, 1168769 (Alaska 1993)' . .

B. **The District Court Lacked Jurisdiction to Adjudicate the Dispute**

District courts are courts of limited jurisdiction.' AS 22.15.050. District courts do not have jurisdiction over "an action in which the title to real property is in question" or "actions of an equitable nature, except as otherwise provided by law." AS 22.15.050(1), (2).¹ Kopamk invokes both of these prohibitions in his **brief**. He claims that title is in dispute because **he** has "equitable ownership interests^I in the **house. We address** only whether this action involves equitable ownership interests.

... The district court's jurisdiction depends upon whether equitable interests exist. Typically a lease will not give rise to equitable interests in the lessee; **however**, an installment contract often will give rise to equitable interests in the purchaser. See 3 Richard R. Powell, Powell on Real Property 37-155 (1994). We noted the difference between installment and---

^a As a preliminary matter, the **nature** of FED jurisdiction must be clarified. In Vinson v. Hamilton 854 P.2d 733, 737 (Alaska 1993), this **court** held that "in an FED hearing, an award of possession constitutes equitable relief." AVCP argues that this holding means that "[t]he statutory power to hear FED proceedings simultaneously *grants* power to hear an equitable action." Although an FED action may result in equitable relief, it is a swift and **summary** proceeding. FED actions are unsuited for resolution of more complex inquiries, such as when equitable ownership interests are at stake. Therefore, although AS 22.15.030(a)(6) specifically grants the district court power to hear FED actions, this is not a grant of jurisdiction over all equitable actions,

option contracts in ~~wam WNBX&L Co. I.w. v. QMZI~~, 641 P.2d 1 (Alaska 1982):

The purchaser under an installment land contract is treated as the equitable **owner** and the vendor as holding the bare legal title merely as security for the purchase price. In contrast, an optionee under a purchase option holds only a contractual right to the land.

& at 7 n.7 (citations omitted).

Ropanuk **argues** that the contract at issue is more like an installment contract than a lease/option contract, and urges that the substance **of** the contract be examined. Conversely, AVCP KIIA **argues that** the contract is a lease-option.

Kopanuk emphasizes several contract provisions as **evidence** that the contract is an installment contract. First is use of the word "homebuyer"ⁿ throughout the agreement.¹ Second is the nonrefundable contribution of land. Third is the existence of "equity accounts" for holding payments in excess of a certain amount. Fourth is the lack of a payment required to exercise the purchase option, if exercised after twenty-five years. Fifth is the ability to purchase the home **before** the price drops to zero by paying the declining balance. Sixth is language in the contract stating that a "homebuyer" **must purchase** the home if certain conditions are met, such as ability to meet the routine costs of ownership.

^a Homebuyer^w is defined as "The person (5) who has executed this MHO agreement . . . and who has not yet achieved homeownership."

AVCP RHA +whaa-i-? dther provisiona in support of ite position . First im a list Of homebuyer Ob&igati0ns similar to those in the Uniform Romidontial Landlord and Tenant Act, citing AS 34.03.120 and 14d0A S S.4.³ Second is variable.monthly payments changable at AVCP FUFa's discretion, Third is a counseling and inspaction requirement. Fourth ia the income reporting requirement and the reotrictions on who may **reside** in the home. Fifth is thm fact that no'eubletting or assignment i,s allowed. Sixth ia the housing authority's control of insurance. Seventh 'is detailed termination information.

The WHOA is a hybrid contract, containing provisions typical of both lease/option contracts a(d installment contracta, Indeed, acontract **more** difficult to categorize is hard to imagine. However,; we need not determine the exact label to be applied to the contract, a8 we conclude that the contract creates equitable interests, or potential equitable interests, in the homebuyer, which preclude the district court from hearing the case. One of the justif icationm for FED actiono is the lack of equity held by the tenant-in-possession. This ia not the case here. Equity may'-^A exist in fact since the nhomebuy'er'! has put up land for a "down payment." Furthermore, a person who maintains property over a period of years may have equity **in** the appreciated value'of that property. Since the district court lacks jurisdiction over

³ Specifically, keeping the houe cleanand safe, disposing of waste properly, using appliancea reasonably, refraining from damaging the property, avoiding disturbing neighbors, and refraining from illegal activity. AS 34.03.120(a) (1)-(6) ; **MHOA** 5 4 e) - (j) .

equitable actions, AS 22.15.060(2), the judgment of the kperior court i8 REVERSED.'

⁴ The Unitsd States, as axuicus curiae, **argues** that HUD has CONSiStently interpreted the WHOA program to be d lease program. The HUD regulations are irrelevant, as we **hold** under state law that equitable interests may exist and thr district court therefore lacks jurisdiction. HUD has no power to interpret state law, and the cited regulations do not interpret any provisions of federal lSW purporting to override the state law at issue here.