"Texas Supreme Court Hears Tex-Mex Chain's Suit Against City"

Steven Knight quoted in Law360 Article on "Texas Supreme Court Hears Tex-Mex Chain's Suit Against City"

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A Law360 article discusses the Texas Supreme Court case exploring whether a municipality can escape breach of contract claims, including arguments by Steven Knight, Co-Chair of Chamberlain Hrdlicka's appellate practice, who represents Jimmy Changas Inc. The company entered into an incentives grant agreement with the City of League City in 2012 pertaining to the construction of a Mexican food restaurant in the City with the promise of certain incentives.

After a Texas appellate panel previously ruled in favor of a Chamberlain Hrdlicka client, finding that immunity can't shield a city from a breach of contract suit because entering the deal was a proprietary function - not a governmental one, League City filed a petition with the Texas Supreme Court. The City is asking the court to rule that it was acting in its governmental function and thus immune from the restaurant's claims.

Knight argued that League City's actions can't be seen as governmental since the City had discretion to decide whether to enter into the agreement, and the agreement was to benefit the local community. He also pointed out that contracts such as this that do not require the city to perform a governmental function and that the city enters into for the benefit of the local community qualify as proprietary functions under pertinent statutes and case law.

Subscribers to Law360 can read an article about the case here.