STATE OF MINNESOTA
COUNTY OF HENNEPIN

DISTRICT COURT
FOURTH JUDICIAL DISTRICT
CIVIL DIVISION

State of Minnesota, by its Attorney General, Keith Ellison,

Court File No. 27-CV-19-16424

Plaintiff,

vs.

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

Steven Meldahl and S.J.M. Properties, Inc.,

Defendants.

The above-entitled matter came before the Honorable Patrick D. Robben, Judge of Fourth District Court, for a bench trial on May 17, 2021, through May 27, 2021. Due to the COVID-19 pandemic, the bench trial was held remotely by Zoom.

Assistant Attorneys General Katherine Kelley, Caitlin Micko, Eric Maloney, and Adam Welle appeared on behalf of the State of Minnesota ("the State").

David Shulman, Esq., and Craig Buske, Esq., appeared on behalf of Defendants Steven Meldahl ("Meldahl") and S.J.M. Properties, Inc. ("SJM").

FINDINGS OF FACT

I. PROCEDURAL BACKGROUND

1. This case is an action brought by the State of Minnesota through the Attorney General against Defendants, pleading various causes of action relating to Defendants' conduct in leasing out rental homes in Minneapolis. The State brings this action under the Attorney General's Minnesota Statute Sections 8.01 and 8.31 and *parens patriae* authority.[1]

2. The Court issued an Amended Findings of Fact, Conclusions of Law, Temporary Injunction Order, and Attachment Order, on October 16, 2019 ("Injunctive Order"). While the

[1] The Attorney General retains "common law *parens patriae* authority" to seek equitable relief on behalf of Minnesotans to remediate a pattern or practice of legal violations that harm state residents. *State v. Minn. Sch. of Bus., Inc.*, 935 N.W.2d 124, 139 (Minn. 2019). Minnesota Statute Section 8.31 also generally authorizes the Attorney General to investigate and bring legal actions enjoining and remediating "violations of the law of this state respecting unfair, discriminatory, and other unlawful practices in business, commerce, or trade." Minn. Stat. § 8.31, subd. 1.

case has been pending and discovery has been ongoing, the Injunctive Order imposed certain requirements on Defendants. These requirements were imposed in order to protect the rights of tenants to habitable rental homes and to protect against the risks of collectability on the ultimate financial relief of civil penalties and restitution sought by the State.

3. The Court issued an Order on Cross-Motions for Summary Judgment on February 24, 2021 ("SJ Order"). In that SJ Order, the Court granted the State's motion for liability on the claim of violation of the statutory cap on late fees (Minnesota Statute Section 504B.177), with the issue of monetary penalties and restitution reserved for trial. The Court also granted Defendants' motion for summary judgment on the State's claim for violation of the statutory covenants of habitability (Minnesota Statute Section 504B.161). The Court denied the parties' cross-motions for summary judgment on the State's claims for violation of the Consumer Fraud Act (Minnesota Statute Section 325F.69) ("CFA") and the Uniform Deceptive Trade Practices Act (Minnesota Statute Section 325D.44) ("DTPA").

4. By Order for Bench Trial issued April 22, 2021, the Court confirmed that, given the nature of the claims, the matter was to be adjudicated by bench trial. The Court further ordered that the State's motion for appointment of a limited receiver and the Defendants' motion to vacate the previous Injunctive Order were denied pending trial.

5. The Court heard extensive testimony from numerous former Meldahl tenants describing living conditions in their rental units that can only be described as appalling. Infestations suggestive of Biblical plague proportions—squirrels, mice, rats, gnats. Tenants being resigned to simply keeping the bathroom door closed to try and isolate a squirrel infiltration. Ongoing water damage destroying property, in one instance even causing a ceiling to collapse. A common credible refrain from tenants was of a landlord that was alternatively unresponsive or blamed tenants for the problems. The Court heard testimony about a landlord who had a tortured relationship with the truth, and would make up stories to try and deflect tenants. Meldahl has repeatedly bragged about his record of evicting a large proportion of his tenants. Meldahl's efforts to paint himself as a gruff-talking benefactor making rental properties available to those lacking credit to get approved for leases elsewhere rang hollow given the horrible rental conditions described, and his seeming indifference to his tenants' plight.

6. The testimony offered at trial paints a picture of *It's a Wonderful Life*'s Henry F. Potter, the unapologetic villain of the film, unconcerned with being a despised landlord owner of a "Pottersville" slum empire. The issues tried in this matter, however, were not whether Meldahl was a Potter, or some other type of mustache-twirling villain. Adjudicating the claims before the Court requires sifting through the larger dynamics and applying the facts to the specific causes of action plead by the State remaining before the Court—the appropriate remedy for violation of the Section 504B.177 cap on rental late fees, and determination of the claims that Meldahl's leases violated the CFA and DTPA.

II. FACTUAL RECORD

A. Meldahl's Rental Leases

7. Meldahl[2] owns and operates numerous residential rental properties—mainly single-family homes—targeted at low-income tenants, particularly in north Minneapolis. Between 2013 and April 2021, the number of rental properties had dwindled from over sixty to twenty-nine.

8. Since at least 2009, Meldahl has used one form lease to rent to each of his Minneapolis tenants. Each lease has contained the following provisions at issue, with only minor variations:

> **Paragraph 1**: "If said rent is not paid within **5 days** of the due date, tenants agree to pay a **$[8 percent][3] late charge**. . . . Once the rent is paid late after the 5 day grace period of any month in any 2 months of tenancy, the rental rate will be automatically raised permanently $50 per month.[4] Any unpaid late fees would still accrue."
>
> **Paragraph 7**: "The tenants will not allow any electrical, plumbing, building or housing inspectors to enter the premises without the landlord or his representative present. If the tenant allows any inspector in to the premises for any reason without first contacting the landlord to get his permission, the tenant will incur a $100 charge and can be evicted for this action alone. The tenant will be responsible to pay for any inspection orders required."[5]
>
> **Paragraph 9**: "That tenants will, during said terms, keep said premises in good repair, and will promptly replace and repair all breakages, defacements, and damages caused by tenant's acts and/or negligence, or any damages caused by tenant's children, guests, or neighbors or anyone."
>
> **Paragraph 10**: "That tenants agree not to permit the premises, including woodwork, floors, and walls, or any furniture or fixtures to be damaged or depreciated in any manner, and to pay for any loss, breakage, or damage thereto."

---

[2] Meldahl is listed individually as the landlord on tenants' leases. SJM is listed on the rental application.

[3] Minnesota Statute Section 504B.177 states that "[a] landlord of a residential building may not charge a late fee if the rent is paid after the due date, unless the tenant and landlord have agreed in writing that a late fee may be imposed. . . In no case may the late fee exceed eight percent of the overdue rent payment." Meldahl writes a specific late fee amount into his own leases, which is usually around 8 percent of the rent.

[4] Prior to November of 2015, Meldahl's leases raised the rental rate automatically after a ten-day grace period by $25 per month.

[5] The amount of the penalty charge for allowing an inspector into the premises without first contacting Meldahl for his permission changed in 2015 from $500 to $100. Meldahl previously set the inspection fee at $500 on the grounds that such an amount "got their attention." Meldahl added the last sentence to the lease—requiring the tenant to pay for any issued Orders to Correct—in 2016.

> **Paragraph 24**: "Any damages caused by and not repaired by the tenants, and cleaning needed to restore the unit, will be charged by the landlord at the hourly rate of $50/hour."
>
> **Paragraph 26**: "Tenant must carry the basic plan of Service Plus with Centerpoint Energy or a comparable policy with an appliance service company to cover the main sewer line and all appliances for the full term of the lease and the rental rate has been adjusted to compensate the tenant for this requirement."

9. In 2018 Meldahl added an "Acknowledgement" to the signature area of his lease that states:

> By signing this document and agreement above, we, the tenants, fully understand any and all aspects of the Numbers 1-26 of the rental agreement and waive the right to have an attorney review and give their opinion as to the validity or enforcement of any and all portions of this agreement. We acknowledge that a violation of any clause above is a material breach of the lease.

B. Tenant Experiences

10. The Court heard from several tenant witnesses. The Court largely found their testimony credible and compelling.

11. *Shakerra Evans*. Evans described renting a house from Meldahl in 2015. Pregnant with twins, she was drawn to what seemed to be a larger space for her growing family. Touring the property in an approximately three-minute-long walkthrough, she then quickly signed a lease. Meldahl told her to read the lease and emphasized his thirty years of experience as a landlord. Evans assumed that, given his experience, Meldahl "knows the law."

12. Following an emergency surgery, Evans was recuperating in the home and woke up to see five mice within four to five feet of her "playing," seemingly not scared of her. Evans tried calling Meldahl repeatedly for days with no answer. As the weather turned, more mice appeared. They later chewed the cord to the fridge. Squirrels later regularly came onto the roof from an overhanging tree, another issue to which Meldahl did not respond.

13. Evans described a kitchen with black specks and roaches. Meldahl did not respond to a call for help. Rats later appeared. The home leaked "puddles" after rain. Her children suffered from asthma issues she attributed to the mice and roaches. Her children then tested positive for lead.[6]

14. Meldahl also did not respond to texts regarding a stove not working. The gas company came out a month later, resulting in a $100 charge on Evans' gas bill. The dishwasher stopped working. The door lock did not work. Paint chipped and flaked.

[6] Meldahl admits that he has blamed lead poisoning instances amongst his renters on the tenants buying "cheap toys from China" and asserted that all humans have lead in their bodies.

15. Evans testified she was afraid to call an inspector based on the lease terms. She believed that if they called the inspectors for any reason, they would be evicted. After a housing inspector sent a letter regarding rats—perhaps due to a child mentioning it to a teacher—Evans threw the letter away for fear that an inspection would lead to eviction. She noted Meldahl was often unresponsive regarding maintenance issues, but quick to contact her regarding late rent. Meldahl later told her that she owed additional money for increased rent due to late fees, and that he had no obligation to tell her he had raised the rent. Evans was forced to move out into an expensive hotel in response to an eviction action, and later moved into a shelter.

16. *Kelley White*. White moved into a Meldahl property in 2015. A sole provider for two young children on a minimum wage salary, she was attracted by the property's location closer to Minneapolis and the $850 rent. White was inexperienced with tenant rights at the time, but signed the lease because she assumed landlords "have the knowledge."

17. At the Meldahl property, the stove sparked, causing White to rely on microwave meals and fast food. The floors were slanted. Other problems with kitchen drawers and a clogged tub existed. Meldahl did not respond to notices of these repair issues, beyond telling White to fix them herself.

18. After a domestic violence incident in which the perpetrator caused some damage to the home, Meldahl moved to evict White. As she was retrieving her belongings and moving out, Meldahl showed up, asking her "Bitch, what the f&*% are you still doing here?" Meldahl's treatment of her made her feel "like less of a person."

19. *Akilah Willingham*. Willingham rented a house from Meldahl in 2018. She was excited to be able to get her own place. At the Meldahl property, however, she described a fridge that leaked every day, flooding the kitchen floor. It was never fixed, as she could not afford Service Plus. Her stove burner did not work; a maintenance person was dispatched, only for the burner to spark and stop working.

20. After reporting a mice infestation to Meldahl, he had traps or poison dropped off. Willingham's daughter had to go to the hospital after getting into the poison.

21. The carpet smelled of dog urine. Meldahl claimed it was brand new and cleaned. He told Willingham to buy carpet freshener and clean it herself, which she had to do with her own money. No one was ever sent to clean it.

22. Willingham did not contact an inspector, due to her understanding of the lease terms.

23. *Da'Vonna Taylor*. Taylor moved into a Meldahl property in 2014. She moved in on or about the same day she signed the lease. Unfamiliar with tenant rights, she described having to do extensive work to clean up the property after moving in.

24. During an initial walkthrough of the property, the basement had bags of trash and mold. Meldahl assured Taylor that it would be remedied. These issues were not fixed, and after moving in Taylor had to shampoo the carpet, and clean the house.

25. Upon move-in, the bathroom toilet, sink, and bathtub were leaking, some windows would not open, and the carpet was filthy. The upstairs bathroom floor was always soft and wet from a leak. The matter was never satisfactorily fixed, leading to a large water bill. Taylor described the situation getting to the point where it was "raining in the house" from the ceiling. Meldahl would blame her for the problems, calling her family "savages."

26. A child in Taylor's home had to go the hospital after a spider bite during an infestation at the property.

27. *Dawn King*. King moved into a Meldahl unit in 2018. She was 18 years old at the time. She believed Meldahl when he charged a double-month deposit of $3,000 by telling her that it was a "Minnesota State Fee" because she was coming from out-of-state. Upon move-in, King found mouse holes in the walls and had daily mice sightings. It was "frightening" and "exhausting." Meldahl blamed the situation on the fact that the house had been vacant and told her to go get mouse traps.

28. The toilet leaked, and the basement was always flooded. After receiving an enormous water bill suggesting a leak problem, Meldahl blew it off as saying that her family probably took "too many baths." King said this made her feel stupid, as if she did not matter. Cabinet shelves fell, causing dishes to break. Wobbly shelves were not fixed, causing King to come up with improved solutions to hold them up. King accepted Meldahl's explanation that he could charge for repairs.

29. The downstairs bathroom had a nest of squirrels in the wall. Their scratching could be heard through the walls. The matter was never satisfactorily fixed.

30. When the issue of a broken washing machine was raised, Meldahl suggested King use a laundromat. King described texting Meldahl to ask for repair help, only to be treated with "insulting," "rude," and "nonchalant" responses. He told King's mother that she should not have had so many kids.

31. King and her family eventually had to leave the home on short notice in response to an eviction.

32. *Mary Davis.* Davis moved into a Meldahl property in 2017 with her four children. After moving in, cockroaches were discovered in the refrigerator. Davis had to stop buying food due to a bad mice infestation. Meldahl told her they were field mice, and that little could be done other than for her to get sticky traps.

33. Squirrels could be heard in the walls, and they even breached the house on two occasions. After a repair person was sent to patch the wall entry point, the squirrels ate through it again. Davis had to open the doors to shoo out a squirrel.

34. After the squirrel incident, Davis called a city inspector. Meldahl told Davis the lease provided she could not let the inspector in without a charge, per the lease. Davis was previously unaware of that lease term.

35. The toilet intake line never stopped running. Davis called Meldahl after receiving a water bill upwards of $300, only to be told the toilet could not be the cause. Another time, the toilet stopped working and it took two weeks for Meldahl to send out a repair person. Davis had to pour water into the toilet to make it flush.

36. A crack at the bottom of the toilet caused it to constantly leak onto the floor, dripping from the ceiling on the lower level. When the basement flooded, it impacted the family's clothes being stored there. Meldahl claimed that the basement was just moist, and did not fix the issue.

37. After facing eviction actions by Meldahl and accusations by him that she was "too lazy to mow" the property grass, Davis moved out into a shelter.

38. *Antonio Hunt*. Hunt moved into a Meldahl property in 2019. Excited to move out of his parent's home, he signed a lease after a walkthrough. Hunt recalls reviewing the late fee escalator, and assuming it, and the inspection clauses, were legal.

39. Soon after moving in, Hunt saw mice "flying around." He found food bitten into by mice. After calling Meldahl, he was told that there was not much that could be done. Swarms of gnats were all throughout the house, forcing Hunt to go stay with family or friends. Meldahl proved unresponsive, leading Hunt to have to buy a fogger.

40. The basement had extensive mildew. The furnace was old and would cut off. At least three times, Hunt had to call to have it serviced, relying on portable heaters in the interim. When calling Meldahl for help, he would be told in response that "you kids don't know anything."

41. The freezer did not work. A repair technician told Hunt he would have to pay $185 for a repair.

42. *David Casburne*. Casburne moved into a Meldahl home with his aunt and uncle in 2015. Casburne was not excited about the property and noticed water damage and mold, but needed a place to stay. Casburne assumed the lease used standard terms and that Meldahl would be fair.

43. Casburne described a storm window falling out, having literally been taped onto the wall. When it rained, the walls would leak, with standing water collecting in the basement. Meldahl did not respond to notice regarding the issue.

44. Squirrels and birds were in the walls. The house "smelled like death" after an animal died in the walls. In response, Meldahl did not repair the holes in the roof but instead had poison set out. "Courageous" mice would go through the house at all hours. The mice could access the food in the cabinets. Casburne had to attempt to seal up entry spots himself.

45. Casburne described fearing eviction if he took Meldahl to court to seek repairs.

46. *Tessa-Monique Kasanowski*. Kasanowski moved into a Meldahl property after skimming the lease and assuming it contained nothing unusual, moving in the same day in early 2016. She remembered crying after seeing mice droppings right after signing the lease. When she

contacted Meldahl, he blamed the neighbor and said the mice would go away. The problem never fully went away, and the mice would run in groups right in front of Kasanowski and her family. The mice chewed wires under the stove. An exterminator found a mice nest in the stove. Despite Meldahl threatening through a worker that getting a cat would lead to eviction, Kasanowski got one out of necessity to combat the mice problem. A wasp infestation also occurred.

47. It was so moldy in the basement, which would get standing water, that mushrooms grew. Meldahl would tell Kasanowski that someone would come out to make repairs, but it never happened. Meldahl told her that if the problem was from tree roots, he would pay.

48. A water leak in the bathroom appeared to cause a $130 monthly water bill, along with other leaks in the house. Requests for help from Meldahl fell on deaf ears. Kasanowski scheduled a city inspection, but cancelled it for fear of repercussions under the lease.

49. Meldahl escalated Kasanowski's rent after she paid rent late.

50. *Rena Washington-Lemon*. Washington-Lemon rented a home from Meldahl in 2015. She needed a space for her family and money was tight. She assumed the property would be fixed and prepared before moving in. Upon move in, Washington-Lemon found dead roaches in the cabinets and rotting food in the fridge. Meldahl sent a worker out, who merely splashed a bottle of Pine-Sol in the fridge. The ceiling had ripples and patches in it, with numerous water stains. Part of the ceiling fell onto Washington-Lemon's grandmother's head. Bathroom tiles kept falling off. The toilet ran non-stop. When raising concerns about these issues, Washington-Lemon found Meldahl rude, condescending, and largely unresponsive. An astronomical water bill from the toilet issues "crushed" her budget.

51. Washington-Lemon described sitting in a truck outside the home watching mice go in and out a big hole in the foundation. One time a mouse fell out of a ceiling hole. The basement was off limits due to it being overrun with mice. Cockroaches were also a recurring problem. Meldahl's response to her concerns was that "it's a matter of cleanliness."

52. Meldahl increased Washington-Lemon's rent after late payments. She eventually moved out, having "had enough."

53. *Nathan McGraw*. McGraw moved into a Meldahl home in 2014. He, at best, "breezed through" the lease before signing, assuming the terms were lawful. McGraw moved out of his prior residence and showed up with his belongings to move into the Meldahl property, only to find another tenant there. Meldahl was "nonchalant" in responding to McGraw after he raised concerns, indicating he had given the prior tenant extra time to move out. McGraw was stuck with a rental truck he was paying for and nowhere else to take his belongings. When the property finally became available, McGraw felt he financially had no other option but to move in.

54. McGraw found a property with sloppy paint, roaches, oven dials that did not work, a huge hole in the back door that mice came in through, water marks of flooding in the basement, and windows so drafty it felt "like you were outside." Meldahl responded to his concerns by only partially addressing the problems. McGraw felt he had to accept that "certain things wouldn't get done." The garage was filled with trash and boxes, and the yard filled with car tires, furniture, and windows. Meldahl never fixed these situations.

55. McGraw described feeling that he had to "adapt and overcome" situations while renting from Meldahl, such as a roach infestation. The house had a "Tom and Jerry hole" that was almost "cartoonish."

56. When the furnace went out, Meldahl simply told McGraw to contract CenterPoint Energy ("CenterPoint"). Heirlooms in the basement were lost to flooding.

C. Other Witnesses

57. *Charles Blair.* Blair was a handyman for Meldahl for three decades off and on. Meldahl is his main source of income. Blair holds no licenses or certifications. He did not know what factors Meldahl considered in determining whether a tenant was responsible for repairs.

58. *William Harvey*. Harvey has done repair work and turnarounds for Meldahl for a long time. He explained he was not licensed to perform work requiring permits.

59. *Rich Harper*.[7] Harper performed home-maintenance and repair work for Meldahl for over sixteen years. Harper also rented a home from Meldahl for a significant period of time. Harper described himself as "self-taught" in his repair work. Harper performed basic fixes on toilets, faucets, broken windows, and doorknobs, as well as hung doors, replaced windows, and installed woodwork. In addition, Harper worked on mice issues at some homes. Prior to 2018, when he began using a smart phone, Harper did not record what repairs he made at which tenants' homes.

60. *Steven Meldahl*. Meldahl has been renting properties in the Twin Cities metro since the early 1970s. He admitted to bragging to a Legal Aid attorney that he is the most experienced landlord in Minneapolis history. He acknowledged he is the sole owner of SJM; he and SJM are "one and the same." Meldahl attempted to create a separate nonprofit entity, S.J.M. Properties (distinct from his for-profit S.J.M. Properties, Inc.). Meldahl only filed for tax-exempt status for a nonprofit with the Internal Revenue Service a few weeks before the trial in this matter, and did not have such a formal status during the relevant years prior to this case.

61. Meldahl relied on a handful of fairly low-paid maintenance contractors throughout his tenure. The most expensive one is paid $15 an hour. He indicated he had told previous courts that his maintenance workers cost $40 an hour.

62. Meldahl does not retain a detailed master tenant list. He estimates that he evicts 96 to 97 percent of his tenants, depending on the year. He does not usually use a move-in or departure walkthrough checklist. He acknowledged that he ignores tenant requests for repairs if he believes he knows they caused the damage or complained-of situation. In response to tenants' communications regarding mice or other repair needs, he will increase owing rent.

63. Meldahl admitted that when he wanted to take actions adverse to renters and did not want to confront renters directly, he would tell them that he needed to run issues past the "trustee" to get approval. Meldahl admitted that he had simply invented a fictional trustee "Chuck

[7] Rich Harper died prior to trial in this matter. Pursuant to the parties' stipulation, Harper's deposition—dated September 28, 2020—was accepted into the record as testimony based on agreed upon designations.

Bibby" to take the blame for certain decisions, essentially allowing Meldahl to claim his hands were tied and that he could not help them.

64. Tenants typically mail or drop of their rent at Meldahl's maintenance shop in north Minneapolis. Rent deposits are placed into a Wells Fargo account in Meldahl's name d/b/a S.J.M. Properties ("5767 account").

65. In October 2019, Meldahl asserted that his real estate portfolio had a net estimated market value of $4,887,000. His assets are worth over $6 million dollars when bank accounts, vehicles, and other assets are included. Meldahl and his wife have no other sources of profitable income.

66. As of the end of April 2021, eighteen of Meldahl's twenty-nine rental properties had renting tenants. Nearly all were behind on rent.

67. Meldahl asserted that his business operated at a loss from 2013 to 2019, excluding the income from selling real estate. The Court found this testimony lacking credibility, given that numerous factors—including his low overhead, incomplete records regarding utilities bills he asserted he paid after evicted tenants failed to do so, and his actions in voluntarily continuing to maintain the rentals on a long-term basis instead of acting more as a "flipper"—contradict that method being the only way to achieve positive cash flow.

68. Previous Court cases have documented Meldahl's practices of providing false information to the courts. The Court of Appeals affirmed a decision in which the court had found that Meldahl made deliberate and calculated false representations regarding his assets. *Rogers v. Meldahl*, No. C4-02-480, 2002 WL 31057010 (Minn. Ct. App. Sept. 17, 2002). Meldahl admitted at trial he would embellish facts when he wanted to make a point with his tenants. Meldahl has lied to City of Minneapolis ("City") inspectors to hide he was renting a home to acquaintances without a license, falsely claiming they were relatives under a "relative homestead" exception.

69. In 1987, Meldahl was convicted of attempted theft by false misrepresentation, aggravated forgery, and filing a false tax return.

70. *Marque Jensen*. Jensen serves with Urban Homeworks, a housing equity nonprofit. Urban Homeworks became aware of reports of the condition of various Meldahl properties. Jensen, a manager and licensed contractor at the nonprofit, visited each of Meldahl's properties and knocked on the door to speak with tenants regarding Meldahl's practices as a landlord. In total, Jensen knocked on around forty doors, speaking with around twenty tenants. Jensen described a general level of hesitation from the tenants he spoke with to engage with him regarding Meldahl's landlord practices, due to concerns of retaliation against them.

71. Jensen further described his efforts to provide volunteer repair work on Meldahl properties with livability issues. These included replacing a rotted, infested, and moldy kitchen floor and fixing a leaking toilet and sink. Jenson testified that he believed Meldahl was aware of his volunteer repair activities. In a lengthy trial that involved extensive testimony describing seeming indifference to dehumanizing living conditions, testimony regarding Jensen's noble work in helping make living conditions more tolerable for others was an inspiring reminder of what can happen when people treat others with respect and dignity.

72. *Kellie Jones*. Jones worked for the City as Director of Inspection Services. Jones described the City's data on the inspection history of Meldahl properties. She acknowledged Meldahl was known to City staff as gruff, aggressive, and disrespectful. Describing a property as a "Meldahl property" carried a negative connotation.

73. Jones explained that tenant calls for inspections ensure that housing maintenance code enforcement is achieved. The licensing and inspection regime exists because tenants are vulnerable and face more instability than a homeowner. The City does not require tenants to notify their landlord or obtain permission to contact the City and request an inspection.

74. *Patrick Hilden*. Hilden is a manager for Field Inspections for the City. Hilden described the rental unit inspection process, including the inspections of Meldahl's properties that took place following the initial Injunctive Order in this case.

75. *Nina Grove*. Grove is an investigator for the State. She described efforts to analyze documentation compiled regarding Meldahl's properties through the investigation and case discovery.

D. Observations from Testimony Regarding Living Conditions

76. From the testimony regarding the experiences of tenants, it is possible to set forth some general observations:

a. Many tenants were drawn to Meldahl properties because they appear, based on price alone, to offer an affordable housing option. Meldahl, who assumed he would end up evicting most of his tenants anyways, accepted tenants with credit ratings or prior eviction histories that would make them ineligible for many other properties.

b. Many tenants were young and/or inexperienced with rental agreements. They did not review the written leases, at least in length, for the most part. They assumed the lease terms were normal and lawful. Before and after signing the lease, tenants generally feel they have no ability to question Meldahl's positions as to their rights under the lease and the law. Tenants did have a general understanding that landlords are ultimately responsible for making repairs and addressing livability issues.

c. Typically, tenants were in housing situations in which they needed prompt housing, and would move in within days, or sometimes even hours, of a quick look at the property.[8]

d. Meldahl does not usually perform a documented walkthrough of a property in the presence of the tenant prior to the tenant moving in.

[8] The root issues regarding the supply of (or lack or thereof) sufficient dignified, affordable housing have plagued society for decades and are not a problem to be laid solely at the feet of Defendants. The claims before the Court address the extent to which Defendants, having voluntarily entered into the for-profit landlord business, may have denied tenants consumer protections they were entitled to under the law, including accurate information as to their legal rights.

e. Meldahl relied on handymen without formal training or licensure to do many repairs. Only certain types of specific repairs that required licensed contractors or special equipment involved hiring out specialized contractors. It appears that turnarounds of properties for incoming tenants are quick, minimal, and may overlook many problematic conditions.

f. Meldahl appears to have been uninterested in making significant upgrades to his rental housing units except when he was preparing to sell them off. Like a late-stage business in runoff, the bare minimal amount of investment in upkeep or repair was made during turnaround of properties.

g. The parties offered conflicting testimony regarding the condition of properties at the time of move-in and move-out. Meldahl's "before" pictures fail to prove much regarding the alleged existence of the structural damage, water intrusion, appliance operability, or infestations. The "after" pictures were not always taken after a tenant had fully moved out. Further, when tenants did leave significant debris and belongings behind, this was at least in part due to the fact that they had been evicted and forced to essentially flee on short notice, with no meaningful option as how to haul and store their belongings.

h. Meldahl would frequently take a gruff attitude with tenants and would deflect blame onto them when they reported habitability issues needing repairs. Since he expected that most tenants would eventually default on their lease and be evicted, he seems to have had minimal interest in responding to concerns. Tenants would often be told that they were the cause of the issue and were responsible for repairing or paying for it. On multiple occasions, it appears Meldahl's response was not to first take responsibility for the livability concerns raised, but instead to point tenants back to their owing back rent. Multiple tenants described being worn down and demoralized by this dynamic such that they gave up on getting assistance from the landlord, being forced to accept or work around the problems.

i. Tenants frequently lost their security deposit after departure. They were typically not in a life position to challenge the claim that they had damaged the property and forfeited their deposit, whether it was warranted or not.

E. Licensing and Inspection

77. As noted above, the Court heard testimony regarding the City's licensing and regulatory regime. The City requires landlords to obtain rental licenses and inspects properties in connection with the issuance and renewal of those licenses.

78. The City classifies rental properties by tiers. Tier I properties "use very few city services, [are] well-maintained, managed and meet minimum housing code." Tier II properties "use some city services, [are] maintained to minimum housing code, [and] may be a higher risk for fire damage." Tier III properties "require excessive City services, [are] poorly maintained or managed, [and] may be at higher risk for fire damage." The tiers assigned to the properties guide the cycles for how often future inspections occur on that property. Tier I properties are inspected on an eight-year cycle, Tier II properties are inspected on a five-year cycle, and Tier III properties

are inspected on a yearly cycle. Meldahl's 2021 property condition scores, as of the date of trial, listed his properties within either Tier I or Tier II.[9]

79. In 2019, City records show that 78 percent of Meldahl properties had at least one life-safety or quality of life violation, compared to an average of 50 percent in all other rental units in the City. Meldahl properties had over 55 percent more total violations compared to the average Minneapolis rental property. In 2020, this figure increased to over 85 percent more compared to the average Minneapolis rental property. This figure was even 45 percent higher than the average north Minneapolis rental property.

80. In 2020, 52 percent of Meldahl's properties had a non-compliance inspection report reflecting failure to make ordered repairs, compared to an average of 18 percent of all Minneapolis rental properties. In 2019 through 2020, 70 percent of Meldahl properties had a citation for refusal to make repairs, compared to an average of 25 percent in north Minneapolis properties over that time period.[10]

81. After the Court ordered that Meldahl have all of his properties inspected in this case, the City created a special project to complete the inspections. Knowing the inspections were coming, Meldahl still had 383 housing code violations at twenty-seven inspected properties.

82. Though many code violations were found, none of Meldahl's properties were found to be unfit for habitation or given notices to condemn.

F. Efforts by Meldahl to Rely on the Aforementioned Lease Provisions

83. Meldahl has bragged that "every single provision of his lease" has been upheld by various courts, and that "I have been beating up on the city and also attorneys for many years. Bring it on."

a. Repair-Shifting Provisions (Paragraphs 9, 10, 24, and 26)

84. Meldahl sometimes enrolls his tenants in gas service through CenterPoint, including its additional Service Plus program. Meldahl does so even if the tenant does not ask him to enroll them in Service Plus or even if they have not given him permission to sign them up for CenterPoint gas service.

---

[9] To the extent that the tiering system plays a part in the Court's conclusions on the legal issues discussed below, the Court notes that tier levels have minimal persuasive value as to the conditions of the properties as experienced by the tenants who testified in this matter, and only modest persuasive value as to the state of the properties at any given time. Assigned tiers are not necessarily indicative of whether or not a property is habitable or whether code violations are present at any particular time. Outside of the tiering schedule, the City cannot inspect a rental property unless the tenant files a complaint about the property and allows the inspector inside the home. In the case of Meldahl's properties and his interactions with his tenants based on their testimony, non-tiering-schedule inspections are unlikely. Meldahl's property tiers thus do not absolve him of his actions in the manner he suggests they do.

[10] As far as these figures contribute to the Court's analysis of the legal issues, the Court observes that the difference in age of the properties included in this computation is not relevant to the impact of the results. Owning an older rental property does not absolve the owner from compliance with the City codes or justify a failure to address such violations when issued, nor does it relegate renters in such units to subpar housing.

85. Meldahl would frequently inform tenants that they, and not he, were required to make or pay for certain repairs, including addressing rodent infestations and repairing leaking toilets and faucets. His tenants were often unaware of some of their legal rights, including of the ability to bring tenant remedy actions in Housing Court.

86. During the applicable time period, at least 267 tenant households were affected by such representations.[11] Clearly, these communications were a regular feature of Meldahl's interactions with tenants.

b. Inspection Prohibition Provision (Paragraph 7)

87. Trial testimony demonstrated multiple occasions when Meldahl had pointed tenants back to the lease and threated to impose a fee if the tenants allowed an inspector in without his permission. Meldahl also included charges for violation of this provision in several legal actions against tenants. Meldahl defended this practice by claiming he wanted to be present so he could understand what repairs the City might determine needed to be made. The testimony suggested that Meldahl wanted to be present at times so that he could argue ("butt heads") with the inspector and tell the inspector why they were wrong, or in order to explain why the tenants were at fault for the potentially-citable condition.

88. The impropriety of Meldahl's actions in attempting to prohibit tenant requests for inspections was called out in court orders from 2014 and 2019.[12]

89. Meldahl only stopped attempting to enforce this provision after this Court's October 1, 2019, Injunctive Order.

c. Rent-Escalator Upon Late Rent Payments (Paragraph 1)

90. Meldahl would impose an increased rent charge when rent was paid after the trigger date. Application of this charge was somewhat haphazard. Sometimes he would notify tenants that this had occurred by text, email, or dropping off a paper notice. For some tenants, he applied the escalator multiple times. Trial testimony indicated that he had not only demanded but received the increased rental amounts. Meldahl claimed he had collected the escalated payments from "maybe ten to twelve" tenants. He has sued tenants in Housing Court to collect these escalated rents.

---

[11] The State calculated this figure through review of Meldahl's court filings, leases from tenants, leases produced in this litigation, and utility data from CenterPoint and the City water department. The Court found these sources as credible avenues of consideration, given Meldahl's poor record-keeping.

[12] *Steven Meldahl v. [redacted]*, Case No. 27-CV-HC-14-2983, Findings of Fact, Conclusions of Law and Order (Henn. Cty. Dist. Ct. Aug. 5, 2014) (finding the provision requiring tenants to notify the landlord before admitting housing inspectors and fining or evicting them for noncompliance is an attempt to waive or modify the obligations imposed on the landlord by Minnesota Statute Section 504B.161, subdivision 1); *Steven Meldahl v. [redacted]*, Case No. 27-CV-HC-14-2983, Findings of Fact, Conclusions of Law and Order (Henn. Cty. Dist. Ct. Oct. 23, 2014) (upholding the referee's decision and affirming the inspection provision as unconscionable and unenforceable); *Steven Meldahl v. Melissa Sillah and Kamal Mapp*, Case No. 27-CV-HC-19-2442, Findings of Fact, Conclusions of Law, Order and Judgment (Henn. Cty. Dist. Ct. July 8, 2019) (finding the rent-escalator provision valid, but the inspection provision void as a violation of public policy).

91. Based on an analysis of thirty-four eviction action complaints the State was able to obtain from court records, it appeared that between October 2013 and September 2019, Meldahl had charged a rent escalator at least 1,347 times.

CONCLUSIONS OF LAW

III. STATUTORY CAP ON LATE FEES (MINNESOTA STATUTE SECTION 504B.177)

92. Minnesota Statute Section 504B.177 addresses late fees charged by landlords if the rent is paid after the due date. "In no case may the late fee exceed eight percent of the overdue rent payment." Minn. Stat. § 504B.177(a). Meldahl's standard lease required that tenants who were late on rent be charged not only the maximum 8 percent late fee, but also required them to pay an additional $50 per month in rent for the duration of their lease if they were late twice on their rent.

93. Meldahl attempted to violate this provision at least 267 times during the applicable limitations period by including this provision in the lease. Tenants suffered harm in being charged extra rent. They also suffered extra harm to the extent it was used to increase pressure on tenants negotiating eviction actions and make them feel they had less leverage in raising habitability issues with Meldahl.

IV. CONSUMER FRAUD ACT/DECEPTIVE TRADE PRACTICES ACT

94. The Minnesota Supreme Court has determined that the CFA (Minnesota Statute Section 325F.69, subdivision 1), and the DTPA (Minnesota Statute Section 325D.44, subdivision 1), must be "very broadly construed to enhance consumer protection." *State by Humphrey v. Philip Morris Inc*., 551 N.W.2d 490, 496 (Minn. 1996). The CFA and DTPA "are commonly read together so as to prohibit the use of deceptive and unlawful trade practices." *Liabo v. Wayzata Nissan, LLC*, 707 N.W.2d 715, 724 (Minn. Ct. App. 2006).

95. The CFA prohibits "[t]he act, use, or employment by any person of any fraud, false pretense, false promise, misrepresentation, misleading statement or deceptive practice, with the intent that others rely thereon in connection with the sale of any merchandise." Minn. Stat. § 325F.69, subd. 1. The Minnesota Court of Appeals has confirmed that the CFA "applies to residential leases and deceptive landlord practices . . . ." *Love v. Amsler*, 441 N.W.2d 555, 558 (Minn. Ct. App. 1989).

96. Under the DTPA, "[a] person engages in a deceptive trade practice when, in the course of business, vocation, or occupation, the person . . . engages in any other conduct which similarly creates a likelihood of confusion or of misunderstanding." Minn. Stat. § 325D.44, subd. 1(13).

97. Though no reviewing Court has addressed the application of the DTPA to residential leases, at least one district court has concluded such relief may be sought. *See Flores v. Zorbales*, Case No. 27-CV-16-14225, Order on Motions to Dismiss (Henn. Cty. Dist. Ct. May 11, 2017) ("residential leasing . . . is not distinguishable in any significant way from other

businesses that may use deceptive trade practices to take advantage of consumers."). Additionally, in determining that the CFA applied to residential leases and deceptive landlord practices, the *Love* Court determined that "[t]he lack of affordable residential housing and the inequality of the bargaining power between residential landlords and tenants, particularly low and moderate income tenants, weigh in favor of including residential leases under the [CFA]." 441 N.W.2d at 559. The *Love* Court further opined that "[b]ecause the [CFA] is remedial it should be '[c]onstrued liberally for advancement of the remedy.'" *Id.* (quoting *Governmental Research Bureau, Inc. v. Borgen*, 28 N.W.2d 760 (Minn. 1947)). The *Love* Court ultimately concluded that "[a]n interpretation of the [CFA] to include residential leases would provide a mechanism to halt the use of deceptive landlord practices which take advantage of an already unequal bargaining position." *Id.* The reasoning applied in holding that the CFA encompasses residential leases in *Love* applies with equal force to claims brought pursuant to the DTPA, as such inclusion furthers the legislative intent to "enhance consumer protection."

98. Violations of consumer fraud statutes are established upon a showing of "conduct that tends to deceive or mislead a person." *Graphic Comms. Local 1B Health & Welfare Fund "A" vs. CVS Caremark Corp.*, 850 N.W.2d 682, 694-95 (Minn. 2014). A plaintiff does not need to allege that a defendant intended to defraud any person, but rather needs only show that false promises or misstatements were made "with the intent that others rely" on them. *See, e.g.*, Minn. Stat. § 325D.45, subd. 1;[13] *State by Humphrey v. Alpine Air Prods., Inc.*, 490 N.W.2d 888, 896 (Minn. Ct. App. 1992) ("In passing consumer fraud statutes, the legislature clearly intended to make it easier to sue for consumer fraud than it had been to sue for fraud at common law."); *Cashman v. Allied Prods. Corp.*, 761 F.2d 1250, 1255 (8th Cir. 1985); *McNamara v. Nomeco Bldg. Specialties, Inc*., 26 F. Supp. 2d 1168, 1171 (D. Minn. 1998) ("[s]imply stated, one making representations in the sale of consumer goods can be held liable, even though he had no specific intent to falsely mislead the consumer"). "Consumer protection laws were not intended to codify the common law; rather they were intended to broaden the cause of action to counteract the disproportionate bargaining power present in consumer transactions." *Alpine Air Prods., Inc.*, 490 N.W.2d at 892.[14]

99. The Minnesota Supreme Court addressed the type of proof required to establish a causal nexus in cases in which the Attorney General is seeking to enforce the consumer protection statutes against a business pattern and practice:

> We reiterate . . . direct proof of reliance is not required to establish a causal nexus. Instead, in a case brought by the Attorney General, all the facts surrounding the consumer fraud should be taken into account: Was the fraud longstanding, pervasive, and widespread in communications directed to consumers of the product? Did the seller intend and understand that consumers would rely on the misrepresentations? Was the information of a kind on which consumers would typically rely?

[13] Minnesota Statute Section 325D.45, subdivision 1 states, "A person likely to be damaged by a deceptive trade practice of another may be granted an injunction against it under the principles of equity and on terms that the court considers reasonable. Proof of monetary damage, loss of profits, or intent to deceive is not required."

[14] While the consumer protection laws are more expansive as to the types of conduct they cover, the evidence as discussed in this Order demonstrates that Meldahl did make intentionally fraudulent misrepresentations in asserting he could prevent tenants' home from being inspected and charge more than an 8 percent late fee.

State v. Minn. Sch. of Bus., Inc., 935 N.W.2d 124, 137 (Minn. 2019).

100. The State identifies Meldahl's fraudulent and deceptive practices as the use of standard lease provisions that it asserts (1) falsely represented that he was not responsible for the habitability or repairs of the properties; (2) falsely represented that permission was needed for tenants to request government property inspections or to admit City inspectors; and (3) falsely represented that the rent escalator provision was lawful.

A. Habitability and Repair Shifting

101. Under Minnesota Statute Section 504B.161, subdivision 1(a), landlords are deemed to implicitly covenant to various promises in every lease, regardless of whether they are explicitly stated (referred to as the "covenants of habitability" or "covenants"). *Ellis v. Doe*, 924 N.W.2d 258, 261 (Minn. 2019). The purpose of "the covenants of habitability is to guarantee adequate and tenantable housing." *Wise v. Stonebridge Communities, LLC*, 927 N.W.2d 772, 776 (Minn. Ct. App. 2019).

102. These covenants of habitability include: (1) that the premises and all common areas are fit for the use intended by the parties; (2) to keep the premises in reasonable repair during the term of the lease, except when the disrepair has been caused by the willful, malicious, or irresponsible conduct of the tenant or licensee; (3) to make the premises reasonably energy efficient; and (4) to maintain the premises in compliance with the applicable health and safety laws except when violation of the health and safety laws has been caused by the willful, malicious, or irresponsible conduct of the tenant. Minn. Stat. § 504B.161, subd. 1(a).

103. Landlords cannot waive these covenants or modify them in their lease. Minn. Stat. § 504B.161, subd. 1(b) ("The parties to a lease or license of residential premises may not waive or modify the covenants imposed by this section."); *Rush v. Westwood Vill. P'ship*, 887 N.W.2d 701, 706 (Minn. Ct. App. 2016) ("These statutory covenants cannot be waived and are liberally construed.").

104. Further, landlords cannot transfer the ultimate responsibility of complying with applicable health and safety laws to tenants. *City of Minneapolis v. Ellis*, 441 N.W.2d 134, 138 (Minn. Ct. App. 1989). It is permissible, however, for a landlord to state expectations that a tenant will cooperate with its actions in fulfilling its covenant duties. *Rush*, 887 N.W.2d at 708 (statutory covenant not violated by landlord requiring tenant to bear a financial and labor cost for moving, cleaning, and replacing personal property as part of landlord actions to treat bedbug infestation).

105. The State argues that "Defendants violated the CFA and DTPA by misrepresenting to tenants that Defendants did not have to maintain the rental homes, make repairs needed due to irresponsible use of the home, or otherwise provide habitable homes to their tenants." (State's Proposed Findings of Fact, Conclusions of Law, and Order for Judgment 51 [hereinafter "State's Proposed Order from Trial"].) As discussed in the Court's SJ Order, the State argued its claims were premised on the leases themselves being fraudulent and deceptive. (SJ Order 15.) The Court determined at that time that a material-fact dispute existed on the consumer protection claims, as a fact finder "may rely on a lease from a professional landlord to identify consumer protections that are negotiable and those that are inviolate." (*Id.* at 18.)

106. While the rental units bore a multitude of ongoing problems, Meldahl did not use deception or fraudulent artifices to hide those problems at the time of leasing. Rather, as noted from the Court's findings, there was typically little if any discussion or negotiation of the leases or the premise conditions prior to the tenants moving in. Meldahl's tenants were frequently interested in leasing the properties because the price was below market and offered an opportunity to rent a single-family or duplex home, rather than an apartment. Usually, tenants would at best do a quick walkthrough of the premises before asking to rent. The rental units up for lease had usually been turned over by Meldahl's contractors prior to viewing. Trash from previous tenants was usually removed, major visible damage repaired quickly, and a fresh coat of paint applied.

107. As to conditions and repair requests after the initial instance of leasing, the weight of the evidence did not indicate that tenants were induced by the lease provisions into being deceived to accept Meldahl's representations as to who was responsible for repairs or maintaining habitability. The testimony did not reflect attempts by Meldahl to point to the leases in response to tenant inquiries regarding conditions or repairs, which were then heeded as truth by the tenants. It was typically a matter of power dynamics rather than deception. Tenants would contact Meldahl to report items needing repair, instinctively knowing that the repairs were the landlord's responsibility.

108. On those occasions when Meldahl would tell tenants that they had caused the problem and were responsible for dealing with it, tenants usually accepted this not because they relied on the lease, but instead because tenants felt they were dependent on Meldahl. Many were frequently behind on rent[15] or were perhaps unaware of their legal rights. Those who understood their rights to bring legal actions to force the landlord to make their home livable or make repairs were often dissuaded from doing so due to fear of eviction or overwhelming life stressors.

109. The Court can only address the causes of action that are before it. Meldahl's conduct in providing substandard housing is many things, but not fraudulent through the use of the leases themselves. Tenants, individually or collectively, have other legal avenues available to pursue claims for failure to provide adequate housing.

B. Permission Requirement for Inspections

110. The State also argues that Meldahl's leases violated the CFA and DTPA by causing tenants to believe that they were not allowed to contact housing inspectors without his permission. Paragraph 7 of Meldahl's standard leases told tenants they could not allow an inspector into the property without Meldahl's permission, and they would be charged $100 for a violation:

> The tenants will not allow any electrical, plumbing, building or housing inspectors to enter the premises without the landlord or his representative present. If the tenant allows any inspector in to the premises for any reason without first contacting the landlord to get his permission, the tenant will incur

[15] Testimony reflected that on multiple occasions, in response to requests for repairs, Meldahl replied to tenants by ignoring the repair request and instead asking why the tenant's rent or water utilities had not been paid. Meldahl himself admitted to this practice.

> a $100 charge and can be evicted for this action alone. The tenant will be responsible to pay for any inspection orders required.

111. Minnesota Statute Section 504B.185 provides that if a tenant requests it, "an inspection shall be made by the local authority charged with enforcing a code claimed to be violated." Minnesota Statute Section 504B.441 prohibits landlords from evicting or charging tenants as a penalty for reporting a violation to an inspector. *Cent. Hous. Assoc., LP v. Olson*, 929 N.W.2d 398, 408 (Minn. 2019) (stating that Section 504B.441 "prohibits retaliation for a residential tenant's complaint of a violation to a government entity, such as a housing inspector"). The covenants of habitability require landlords to maintain their homes in accordance with health and safety laws, like those for which the City inspects. Minn. Stat. § 504B.161.

112. The evidence from trial indicated that Meldahl used the leases in a manner that tended to deceive or mislead tenants as to inspection rights. Tenants seeking an inspection were not told they simply had to give Meldahl notice first.[16] Instead, Meldahl relied on pointing to the lease provision to discourage inspection requests without his permission to cause tenants to believe that he could charge or evict them for requesting an inspection.[17] Unlike the issue of what constituted a livable rental unit or who was responsible for repairs, this inspection restriction issue was one for which tenants do not appear to have the same degree of intuitive sense of the law and the provision itself was directly pointed to by Meldahl during and after their tenancies.[18]

113. Meldahl asserts that he "never collected" the inspection fee in Paragraph 7 from any tenant. (Defs.' Proposed Findings of Fact, Conclusions of Law, and Order for Judgment 5 [hereinafter "Defs.' Proposed Order from Trial"].) Meldahl apparently believes that the only way in which his improper lease provisions can truly be deceptive and harmful is if he is able to place money gained from his actions in his bank account. The evidence and testimony at trial, however, indicated that this provision and Meldahl's direct use of it confused tenants and discouraged them from having inspections undertaken in their residences. These actions were taken even in the face several Court orders holding the provision void as a violation of public policy. This resulted in the continuance of the derelict and often harmful living conditions that may otherwise have been ordered remedied by City inspectors at Meldahl's expense. It also resulted in distress and concern on the part of tenants at risking the health and well-being of themselves and their family, or risking

---

[16] The Court is unpersuaded that the City inspector's statements regarding the usefulness of having owners present for inspections where they are able excuses Meldahl's use and reference to this provision. As opposed to some altruistic attempt to improve upon the City inspection process, Meldahl and his tenants' testimony reflects that his true motive behind the use and reference to this provision was to discourage inspections entirely—and in the cases where tenants proceeded with getting an inspection, arguing with the City inspector regarding whether repairs were needed and whose responsibility they were.

[17] Meldahl argues that tenants could not have relied on him in understanding their rights because it is illogical for someone to trust another person who they claim acted so cruelly toward them and of whom they were afraid. (Defs.' Proposed Findings of Fact, Conclusions of Law, and Order for Judgment 8.) This argument is disingenuous given the severe power imbalance between Meldahl and his tenants, as well as Meldahl's own admittance that he often touted himself as a legal expert and smarter than attorneys.

[18] To the extent Meldahl reargues that application of the CFA or DTPA in this case is inappropriate because Meldahl did not misrepresent the "value, quality, or conditions of goods or services," and the provisions were in fact a disincentive for entering into the lease, the Court previously addressed and concluded otherwise in its SJ Order. (*See* SJ Order 17.)

eviction and sometimes homelessness. Meldahl thus both benefited from this provision, and caused harm upon his tenants through its use.

114. These harms moreover sustain the requisite causal nexus to the lease provision and its enforcement. Meldahl's use of the provision in his leases and continued references to it when interacting with tenants was longstanding and pervasive, spanning the years applicable to this action. The trial testimony established that Meldahl frequently pointed to the provision and repeated the representations within it orally and in writing to tenants throughout their tenancies. Meldahl's own testimony indicates he previously set the inspection fee at $500 because it "got their attention." The provision was plainly the kind upon which consumers would typically rely, as multiple tenants testified they feared the repercussions of the provision—both in fees and in potential eviction—and did not contact or allow inspectors in as a result. As noted previously, Meldahl's significant power imbalance and assertions of legal success to tenants supports, rather than undercuts, the reasonableness of that reliance.

C. Rent Escalator Clause

115. As noted above, Meldahl's leases charged a late fee in excess of the Section 504B.177 statutory cap by imposing the maximum 8 percent fee on top of a rent escalator for late rent. The evidence demonstrated Meldahl intended others, including tenants, to rely on this provision to believe he had the lawful authority to impose such a rent escalator. He asserted this clause against tenants when providing their leases, and continued to assert it when pressuring tenants to pay amounts he claimed were owed in back rent. He referred back to the provision when tenants inquired into the reason for their rent changing or owing amounts higher than they believed they agreed to, as well as when he undertook legal action to collect on unpaid rent.

116. Meldahl's assertion that he "rarely charged and collected" the rent-escalator is unavailing. (Defs.' Proposed Order from Trial 7.) First, the evidence in the record reflects he made claims for amounts owed under the rent escalator clause in numerous Court actions alone. Whether he actually collected those amounts following the entry of judgment does not undercut that he asserted the validity of those amounts on many occasions. Moreover, the claim that rent escalator increases were not charged on other instances was supported only by Meldahl's own self-serving testimony. Poor record-keeping on Meldahl's part regarding what amounts were being collected from which tenants and for what purpose cannot be used to dodge responsibility for the documented instances of enforcement presented through evidence and testimony. That the exact number of violations cannot be quantified with mathematical certainty does not preclude this Court from concluding that Meldahl made false and misleading representations about the rent escalator clauses that he intended tenants to rely on.

117. The evidence also establishes a casual nexus between the provision's inclusion in the lease and subsequent use by Meldahl and harm foisted upon his tenants. Meldahl undoubtedly intended for his tenants to rely on the clause, as he pointed it out in the lease and later repeated it orally and in writing to his tenants when explaining why they allegedly owed certain amounts in rent. The tenants were clearly harmed by Meldahl's actions, as very low-income tenants without extra funds to pay his improper late fees. These added costs exacerbated the tenants distress in making ends-meet and in facing eviction and possible homelessness. Meldahl's tendency to make tenants aware of these supposed additional amounts owed following tenants' requests for repairs

or reports of livability issues also acted as a quiet threat of future increases if additional demands for fixes were made.

118. Meldahl argues that various Housing Court Settlement Agreements entered into between himself and certain tenants prevent the State from claiming that the application of the rent escalator violated the law. (Defs.' Proposed Order from Trial 18-19.) The validity of these Housing Court Settlement Agreements,[19] however, does not mean that the provision was not used prior to those actions to harm tenants, nor that it was not used during those Court actions to apply inappropriate pressure upon the tenants to settle upon certain terms—particularly where settling for illegally incurred amounts at the very least kept the tenants on the premises and avoided homelessness. Moreover, this Court is not bound in an action litigating the State's authority to act on behalf of all Minnesotans harmed by a pattern or practice of unlawful conduct contrary to public rights by the decisions of a different Court addressing the circumstances of an individual tenant based on different legal theories or significantly less-developed records.[20]

V. RELIEF

A. Injunctive Relief

119. The State is "entitled" to permanent injunctive relief after demonstrating that a "law of this state respecting unfair, discriminatory, and other unlawful practices in business, commerce, or trade," has been, is being, or is about to be violated. Minn. Stat. § 8.31, subds. 3, 1; *accord State v. Minn. Sch. of Bus.*, 899 N.W.2d 467, 471-72 (Minn. 2017) ("the Attorney General's burden to obtain a permanent injunction under [Section 8.31] is limited to the statutory condition: proving that a listed law 'has been or is being violated, or is about to be violated.'"); *State by Swanson v. Integrity Advance LLC*, 846 N.W.2d 435, 444 (Minn. Ct. App. 2014).

120. "The attorney general's power to obtain injunctions under Minn. Stat. § 8.31 [] is broad. . . . The district court need only consider whether the state has shown that [the defendant] violated the statutes involved and whether injunctive relief would fulfill the legislative purpose of the statutes." *Integrity Advance LLC*, 846 N.W.2d at 444; *State by Hatch v. Cross County Bank, Inc*., 703 N.W.2d 562, 573 (Minn. Ct. App. 2005) (holding that because "the legislature has explicitly authorized the state to obtain injunctive relief to prevent violation of statutes that protect consumers, the legislature has obviated a showing of irreparable harm and inadequate legal remedy").

121. Meldahl has used an inspection penalty clause despite previously being put on notice that it was unenforceable. As noted above, it is a violation of the CFA and DTPA in its application. Meldahl only stopped using the clause in his leases after the Court's Injunctive Order in this case. A permanent injunction is appropriate.

---

[19] Housing Court Settlement Agreements can typically involve negotiated stipulations between landlord and tenant jointly submitted for memorialization for the Court. That is different than a case in which the validity of certain clauses is specifically litigated.

[20] The same is true regarding prior Housing and District Court cases that have reached different conclusions on the validity of the rent escalator provision. *See, e.g.*, *Steven Meldahl v. Melissa Sillah and Kamal Mapp*, Case No. 27-CV-HC-19-2442, Findings of Fact, Conclusions of Law, Order and Judgment (Henn. Cty. Dist. Ct. July 8, 2019) (finding the rent-escalator provision valid, but the inspection provision void as a violation of public policy).

122. Meldahl's use of a rent-escalator clause is also an unlawful attempt to circumvent the statutory cap on rental late fees. An injunction prohibiting future attempts to use such a clause in his leases is warranted.

123. Meldahl's systematic use of unlawful lease terms deterring consumers from exercising their statutory rights as tenants is precisely the type of irreparable harm and inadequate legal remedy scenario that the statutory injunction regime is intended to address.

B. Civil Penalties

124. Under Section 8.31, the State is entitled to "payment of civil penalties" for each violation of the CFA, DTPA, Section 504B.161, subdivision 1(b), and Section 504B.177, subdivision (a). *See* Minn. Stat. § 645.24 ("When a penalty or forfeiture is provided for the violation of a law, such penalty or forfeiture shall be construed to be for *each* such violation") (emphasis added); *Alpine Air Prods., Inc.*, 490 N.W.2d at 896 (holding that "[t]he State is entitled to civil penalties up to $25,000 for each violation").

125. The State asserts that the Court should consider each offending clause a separate violation, and comes up with a total of 2,148 violations (267 tenants x 3 categories of offending CFA and DTPA allegations = 801; plus 1,347 for the times a rent escalator was charged = 2,148 total). The Court concludes it is appropriate, for purposes of calculating a penalty, to operate on the premise that Meldahl committed 267 statutory violations—the number of leases within which he used unlawful terms.

126. Once the number of violations is established, and using the cap of $25,000 per violation, the final total amount of penalties is in the court's discretion and must be based on a multi-factor test that considers: "(1) the good or bad faith of the defendant; (2) the injury to the public; (3) the defendant's ability to pay; and (4) the desire to eliminate the benefits derived by the violation." *Alpine Air Prods., Inc.*, 490 N.W.2d at 896-97; *see also Integrity Advance*, 846 N.W.2d at 443.

127. As to the first factor, Meldahl acted in full knowledge and bad faith. Meldahl was told in prior Court orders that the inspection restriction provision was unlawful and against public policy. Meldahl knowingly took advantage of low-income tenants with few housing options. He used the leases as a reason to rebuff tenants requesting help to instead demand rent charges above the statutory maximum and deter them from seeking inspections. He expressed no contrition or noticeable concerns for the horrific living conditions of his rental units, or the disrespectful and hurtful manner in which he treated his tenants throughout their tenancy interactions and the enforcement of his leases. Meldahl's bad faith has continued throughout this legal proceeding, as he attempts to undercut his behavior by shifting blame onto his tenants and their failure to leave his properties if there were such poor conditions, while refusing to acknowledge the struggles of

his tenants that make it impossible for them to do so.[21] Meldahl continues through his final submissions in this trial to attempt to paint himself as a hero to the downtrodden by providing "low-income" housing to those with few housing options, despite listening to days of testimony describing the distress his actions and properties caused to his tenants. Such unrelenting behavior can be characterized as nothing but having full knowledge of his actions and undertaking them in bad faith. Meldahl's mere compliance with Court ordered injunction requirements does not represent actions made in good faith. The State has a substantial interest in preventing and deterring such brazen and deplorable illegal business conduct harming a vulnerable part of Minnesota's population.

128. As to the injury to the public, the tenants suffered a high degree of public injury. The living conditions depicted by tenants would likely leave a traumatic impact for years to come, let alone high levels of stress and despair at the time. Tenants were forced into helpless situations beyond imagination. The public welfare was harmed by such substandard housing conditions, as well as unlawful attempts to ratchet up late fees that contributed to tenants having to go to shelters. The public was further injured by the ramshackle manner in which Meldahl kept his rental and repair records, making it difficult for tenants, attorneys, advocates, and the Courts to decipher the true degree of harm caused by his behavior. Meldahl's attempt to assert himself as a benefactor to the public by renting to individuals with criminal records or poor credit scores is disingenuous. Those tenants do not deserve, more than any other renters, to live subject to illegal treatment or under the conditions Meldahl's lease provisions and accompanying enforcement created.

129. On the ability to pay factor, the Court notes that Meldahl has a substantial net worth. His protestations that he was not making money on his rental empire were unpersuasive. Meldahl has significant assets between cash holdings and real estate. It is illogical to argue that his rental business brought in so little positive income that he would continue to undertake it for almost fifty years. Meldahl's actions in purportedly selling off half of his properties in recent years does not absolve him of his past behavior, but rather supports the assertion that his properties are of a sellable value to cover penalties. Meldahl is capable of paying a substantial civil penalty.

130. Public policy would favor eliminating the benefits derived from the violation. Meldahl's actions in continuing practices called out in previous judicial decisions, at odds with plain statutory language and with a combative attitude that he knew better than the inspectors, demonstrate that a meaningful penalty is necessary to send a message that landlords are not above the system and that consumer protection laws must be followed. Meldahl clearly benefited from the lease provision violations by avoiding payment for upkeep of his properties, increasing his unequal bargaining power with tenants, and avoiding appropriate monitoring by City inspectors and any costs placed on him in that process. Public policy also favors placing landlords on notice for failing to properly document the various aspects of their business such that they may be held accountable for their behavior by those seeking to be made whole.

[21] To name merely a few of the challenges facing Meldahl's tenants that prevented them from leaving his properties despite their poor treatment: a lack of resources to find alternative housing, the cost of physically moving their belongings, the potential loss of belongings if moving to a shelter, the threat of evictions or other negative court action for leaving their tenancies reducing their future renting options, and Meldahl potentially providing poor references to future housing options.

131. Meldahl identifies penalty amounts awarded by prior Courts in totals of $15,000 (upon a locally owned health club business with multiple locations engaging in consumer fraud) and $70,000 (upon the seller of 140,000 air purifiers without disclosing they could emit dangerous levels of ozone) as "apt benchmarks" for the appropriate amount of penalties in this matter. (Defs.' Proposed Order from Trial 22-23 (citing *State by Humphrey v. Ri-Mel, Inc.*, 417 N.W.2d 102, 104 (Minn. Ct. App. 1987); *Alpine Air Prods., Inc.*, 490 N.W.2d at 897).) Other cases, however, have awarded significantly higher amounts, reflecting that the determination of penalties is highly case specific. *See Integrity Advance, LLC*, 846 N.W.2d at 443 (awarding $7,000,000 in combined penalties under Minnesota Statue Section 47.601 and Minnesota Statute Section 8.31 after considering the *Alpine* factors, noting specifically the "shockingly usurious sums from 'some of the State's most financially vulnerable citizens'").

132. In this case, the penalized actions affected hundreds of low-income, multi-member households, including many children. The harms were not merely financial, but had ripple effects on the health, dignity, and future housing prospects of many tenants. The actions were taken against a particularly vulnerable population with few resources to avail themselves of individual remedies due to the burdens it would place upon their already-strained families. The actions were likewise taken in an industry where the contract at issue is between parties of disparate bargaining power, for a product that is crucial to the well-being of all persons (shelter). *See Love*, 441 N.W.2d at 559 (noting the "lack of affordable residential housing and the inequality of the bargaining power between residential landlords and tenants, particularly low and moderate income tenants"). The extensively regulated nature of such relationships throughout Chapter 504B—which ensures minimum standards of safety, habitability, and affordability for tenants—emphasizes the importance of protecting such tenants.

133. Upon consideration of the *Alpine* factors, the Court determines that a civil penalty of $133,500, or $500 per violating lease, is appropriate. This amount sends a notable message to landlords going forward as a deterrent measure.[22] The Court is also taking into consideration that additional sums of costs and expenses will be imposed, as outlined below.

134. The State brought claims against both Defendant S.J.M. Properties, Inc., and its sole owner and manager, Defendant Steven Meldahl. An officer or manager is jointly liable for a company's violation of the consumer protection statutes at issue if they "owned, controlled, and actively participated in the business of the corporation" or "actually participated or acquiesced" in the complained of conduct. *Alpine Air Prods., Inc.*, 490 N.W.2d at 897. It is beyond question here that Meldahl owned, controlled, and actively participated in the business, as well as more specifically participated in the deceptive conduct at issue. The titles to Meldahl's rental properties are in his name, Steven Meldahl, and rental payments received are in his personal capacity, even if tenants put one of his entities (*e.g.*, SJM) as the payee. Meldahl himself notes that "[h]e operates his business as an individual and performs much of the manual labor required for the business himself." (Defs.' Proposed Order from Trial 21.) The testimony of the few other "contractors" Meldahl paid to undertake turnover and odd repairs reflects that Meldahl himself communicated with the tenants and directed whether repairs or other actions in relation to the properties were

[22] Even adjusting for any potential mild variability in the calculation of the number of applicable leases, or if consideration were given for those that were part of previous Housing Court Orders, the net total civil penalty reflects an appropriate amount that accomplishes the purposes of the *Alpine* factors.

taken. Tenant testimony further established that Meldahl was the individual they interacted with regarding rent, lease provisions, property conditions, repairs, utilities, and inspectors. Steven Meldahl and S.J.M. Properties, Inc., are therefore jointly and severally liable for the violations of the CFA, DTPA, and Section 504B.177.

C. Restitution

135. The Attorney General's *parens patriae* power authorizes them "to act on behalf of all Minnesotans harmed by a pattern and practice of fraudulent conduct" and to "seek equitable restitution." *Minn. Sch. of Bus., Inc*., 935 N.W.2d at 133-134. Subdivision 3 of Section 8.31 also "broadly authorizes the Attorney General to seek equitable relief [including disgorgement] to stop conduct that harms consumers." *Id*. Equitable remedies like restitution in this context are reviewed for an abuse of discretion. *Id.* at 133 (citing *Dakota Cty. HRA v. Blackwell*, 602 N.W.2d 243, 244 (Minn. 1999); *Alpine Air Prods., Inc.*, 490 N.W.2d at 896 (restitution is "within the sound discretion of the trial court; only a clear abuse of discretion will result in reversal")).

136. "Equitable restitution, unlike money damages, is intended to force a wrongdoer to divest money improperly gained at the expense of another party. It is aimed as much (or more) at preventing the wrongdoer from profiting from its misdeeds as it is to make the injured party whole." *Id.* at 138-39 (citing *U.S. Commodity Futures Trading Comm'n v. Crombie*, 914 F.3d 1208, 1216 (9th Cir. 2019); Restatement (Third) of Restitution and Unjust Enrichment § 1 (Am. Law Inst. 2010); *Parkhill v. Minn. Mut. Life Ins. Co.*, 188 F.R.D. 332, 345 (D. Minn. 1999); *Hendrickson v. Minn. Power & Light Co.*, 104 N.W.2d 843, 846 (Minn. 1960), *overruled in part on other grounds by Tolbert v. Gerber Indus., Inc.*, 255 N.W.2d 362 (Minn. 1977)). An analogous section of the Restatement (Third) of Restitution and Unjust Enrichment states that "[a] person who obtains a benefit by conscious interference with a claimant's legally protected interests (or in consequence of such interference by another) is liable in restitution as necessary to prevent unjust enrichment, unless competing legal objectives make such liability inappropriate."[23] Restatement (Third) of Restitution and Unjust Enrichment § 44 (Am. Law Inst. 2011). The Restatement also notes, however, that

> Restitution by the rule of this section will be limited or denied
>
> > (a) if the court would refuse to enjoin the interference, assuming timely application and an absence of procedural or administrative obstacles;
> >
> > (b) to the extent it would result in an inappropriate windfall to the claimant, or would otherwise be inequitable in a particular case;
> >
> > (c) if the benefit derived from the interference cannot be adequately measured; or
> >
> > (d) if allowance of the claim would conflict with liabilities or penalties for the interference provided by other law.

[23] "For purposes of subsection (1), interference with legally protected interests includes conduct that is tortious, or that violates another legal duty or prohibition (other than a duty imposed by contract), if the conduct constitutes an actionable wrong to the claimant." Restatement (Third) of Restitution and Unjust Enrichment § 44.

Id.

137. The Minnesota Supreme Court has noted that restitution in consumer protection cases is "the monetary equivalent of rescission." *Minn. Sch. of Bus., Inc.*, 935 N.W.2d at 137 (quoting *FTC v. Security Rare Coin & Bullion Corp*., 931 F.2d 1312, 1316 (8th Cir. 1991)).[24] There can be no rescission unless the "party's assent is induced by a fraudulent misrepresentation on which the party is justified in relying." *MCC Inv. v. Crystal Properties*, 415 N.W.2d 908, 911 (Minn. Ct. App. 1987). In contract law, where ordering recission would be "too disruptive, causing more harm that it would remedy, the court should deny a request for the drastic remedy of recission." 22 Britton D. Weimer, et al., *Minn. Prac.: Ins. Law & Prac.* § 11:38 (2020 ed.) (citing 2 Dan B. Dobbs, *Law of Remedies* § 9.3(2), at 582 n.8 (2d ed. 1993); *Stronge Warner Co. v. H. Choate & Co.*, 182 N.W. 712 (Minn. 1921) (where restoration to prior positions is impractical, even where material breaches are found, only damages, if any, are available); *Carlson v. Segog*, 62 N.W. 1132 (Minn. 1895) (rescission denied because parties could not be placed in *status quo ante*)).

138. Likewise, in the analogous criminal context, the Court's exercise of its discretion in awarding restitution requires consideration of the income, resources, and obligations of the defendant. Minn. Stat. § 611A.045, subd. 1(a)(2). It also requires the Court to consider whether the calculation of restitution entails such a "burdensome, complicated, or speculative calculation" such that there is a "good reason" for the district court to decline to award certain items as restitution. *U.S. v. Oslund*, 453 F.3d 1048, 1063 (8th Cir. 2006).

139. The State argues that Meldahl should be ordered to pay restitution in the amount of $3,157,490.26. This sum represents an assessment of the entire amount of rent paid by tenants during the relevant time period.

140. "The word 'restitution' connotes restoring or compensating the victim for loss." 24 C.J.S. *Criminal Procedure and Rights of Accused* § 2483 (2021). A fundamental challenge in this case is determining the victims' losses. The unwitting tenants allegedly paid below-market rent, and received below-market-standard accommodations. There was no evidence submitted demonstrating the actual market value of the rental accommodations Meldahl provided. This hampers any ability to determine the difference in financial value between the accommodations provided and the accommodations that would have been provided had Meldahl not fraudulently dissuaded tenants from exercising their rights to request inspection services. Moreover, any attempt to put a value to such personal property losses or award restitution based on what losses may have been avoided had tenants felt they could seek inspections would be entirely speculative.

141. A similar issue exists regarding any effort to compute losses from excessively-escalated rent as a manner of restitution. Meldahl maintained such minimal records that it is near impossible to establish how much each tenant paid and for what they paid. The records do not even contain a list of tenant names and dates of tenancy. Meldahl's "rent roll" did not record

[24] The Minnesota Supreme Court noted that in cases brought by the Minnesota Attorney General—"rather than by a private plaintiff"—cases "brought under the Federal Trade Commission Act (FTCA) are instructive." *Minn. Sch. of Bus., Inc.*, 935 N.W.2d at 136. The FTCA allows the Federal Trade Commission (FTC), "acting on behalf of consumers, to seek restitution from companies that sold goods by use of false or deceptive statements for resulting losses the consumers suffered." *Id.*

which tenants paid the rent escalator, which tenants were charged for repairs, or which tenants were retaliated against for allowing an inspector into the property. The evidence indicated that the vast number of Meldahl tenants were evicted, whether charged escalated rent or not. The great weight of the testimony indicated these tenants moved out or were evicted for falling behind on rent even as originally set, not just as escalated. To the extent such tenants exited after an unlawful detainer proceeding, such evictions were judicially sanctioned.

142. To simply force Meldahl to disgorge every dollar of rent received during the limitations period would not address the tenants' potential losses, particularly where the Court found violations for some, but not all of his lease provisions and enforcement. Rather, it would be, in essence, a means of punishing Meldahl. Restitution is not a substitute for the civil penalties separately addressed in this matter. The civil penalties imposed against Meldahl in this action take into consideration the negative impact his poor business and record practices had in preventing recovery of restitution amounts for the particular lease violations found by the Court.

D. Payment of the State's Costs and Fees

143. The State also seeks costs and fees relating to this litigation. Minnesota Statute Section 8.31, subdivision 3a, provides that the State may obtain reimbursement for "costs and disbursements, including costs of investigation and reasonable attorney's fees . . . ." The Statute provides that this discretionary remedy is as available to the Attorney General as to any person injured by a violation of any of the laws actionable by Section 8.31. Minn. Stat. § 8.31, subd. 3a.

144. Under the circumstances, the State has demonstrated that this action successfully pursued claims regarding violation of Sections 504B.177, the CFA, and the DTPA. Accordingly, it is appropriate for the State to submit an application for recovery of its costs and disbursements, including costs of investigation and reasonable attorneys' fees.

ORDER

I. DECLARATORY RELIEF

1. The Court hereby **GRANTS IN PART** the Attorney General's prayer for declaratory relief and declares that Defendants violated the Minnesota Consumer Fraud Act (Minnesota Statute Section 325F.69, subdivision 1), the Deceptive Trade Practices Act (Minnesota Statute Section 325D.44, subdivision 1), and the Statutory Cap On Late Fees (Minnesota Statute Section 504B.177, subdivision (a)), in the following ways:

a. By misrepresenting to tenants that they can, and did, agree to forgo City inspections of their home by waiving their inspection rights;

b. By misrepresenting to tenants that Defendants can charge late fees greater than 8 percent by raising rent permanently on top of an 8 percent late fee; and

c. By charging tenants increased rent on top of an 8 percent late fee when they pay their rent late.

2. Any other prayer for declaratory relief by the Attorney General is otherwise **DENIED**.

II. INJUNCTIVE RELIEF

3. The Court **GRANTS IN PART** the Attorney General's prayer for injunctive relief, and permanently enjoins Defendants, whether acting individually or through any entity or assumed name, as well as their successors, officers, agents, employees, and other persons working in active concert or participation with them who receive actual notice of this Order, from, directly or indirectly:

a. Preventing or hindering in any manner, including orally or in writing, their residential tenants from contacting any health and safety inspector or having their home inspected;

b. Punishing or retaliating in any manner against tenants who want to, or have contacted a health and safety inspector, including by threatening to or actually issuing fines, fees, charges, or penalties, threatening to or actually requiring tenant to pay for repairs ordered as a result of an inspection, or threatening to or actually filing eviction actions;

c. Charging tenants any amount above 8 percent of the overdue rent payment when their rent is paid late, including, but not limited to, increasing the amount of monthly rent the tenant is obligated to pay as a consequence of a late or missed rent payment; and

d. Representing that they are permitted to engage in the activities in (a) through (c).

4. Defendants shall comply with Minnesota Statutes Section 504B.181, subdivision 2(b), by providing each existing and new tenant with the current edition of the Landlords and Tenants Rights and Responsibilities publication issued by the Attorney General's Office.

5. To the extent they have not already done so, **by Wednesday, December 15, 2021**, Defendants shall fully comply with all Order to Correct Notices issued by the City of Minneapolis between September 30, 2019, and the date the Court enters this Order. Defendants shall not affect any change in their form of doing business, organizational identity, organization structure, affiliations, ownership, or management composition as a method or means of attempting to avoid the requirements of this Order.

6. Any other prayer for injunctive relief by the Attorney General is otherwise **DENIED**.

III. CIVIL PENALTIES

7. Pursuant to Minnesota Statute Section 8.31, subdivision 3, the Court **GRANTS IN PART** the State's prayer for civil penalties and **ORDERS** Defendants, jointly and severally, to pay a civil penalty of $133,500. The civil penalty shall be due within ninety (90) days of the

Court's anticipated Order setting the amount of the award of costs and disbursements, including costs of investigation and attorney fees, awarded herein.

8. Any other prayer for civil penalties by the Attorney General is otherwise **DENIED**.

IV. RESTITUTION

9. The Court **DENIES** the Attorney General's prayer for restitution in this matter.

V. COSTS AND FEES

10. Pursuant to Minnesota Statute Section 8.31, subdivision 3a, the Court **GRANTS** the Attorney General's prayer for costs and disbursements from of the State's investigation and reasonable attorneys' fees.

11. Upon entry of this Order, the State may file with the Court by **Monday, December 13, 2021,** an application and a motion and supporting documentation pursuant to Minnesota Rule of Civil Procedure 54.04 and Minnesota Rule of General Practice 119 seeking an award of its costs and disbursements, including costs of investigation and attorneys' fees. Defendants may respond by **Monday, December 27, 2021**. The State may then submit a reply brief by **Monday, January 3, 2022**. Both parties shall address in their submissions the extent to which, given the amount of civil penalties ordered and prospective amount of costs and fees, Defendants are prepared and able to satisfy their obligations without continuation of attachment or forfeiture of the bond.

12. As part of their motion or response, either party may ask for a hearing on this issue. If a request for hearing on the motion is made, the Court will schedule a hearing.

13. At such time as the aforementioned issues have been determined, judgment on all issues shall be entered. The attachment and bond previously ordered will remain in place pending the final Order entering judgment.

BY THE COURT:

Robben, Patrick
Jud District Court Judge
Nov 15 2021 4:36 PM

Dated: November 15, 2021

The Honorable Patrick D. Robben
Judge of Fourth District Court