

Bond Case Briefs

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BONDS - MINNESOTA

Thompson v. St. Anthony Leased Housing Associates II, LP

Supreme Court of Minnesota - August 24, 2022 - N.W.2d - 2022 WL 3640466

Tenant brought putative class action against landlords for breach of contract, breach of implied covenant of good faith and fair dealing, unjust enrichment, and violations of Uniform Deceptive Trade Practices Act and Consumer Fraud Act, alleging that landlords charged rent to rent-restricted tenants in apartment complex in excess of rate limits imposed by Minnesota Bond Allocation Act, which applied to privately-developed housing projects funded by municipal bond proceeds.

The District Court granted landlords' motion to dismiss for failure to state a claim. Tenant appealed. The Court of Appeals affirmed. The Supreme Court granted tenant's petition for further review.

The Supreme Court held that:

- Tenant had standing to bring claim against landlord for breach of contract based on rent increases in excess of amounts allowed by Bond Allocation Act, and
- Term "area fair market rent" in Bond Allocation Act meant fair market rent set for area by federal Department of Housing and Urban Development (HUD).

The Minnesota Bond Allocation Act does not provide a private cause of action to enforce its rent restrictions, and bond issuers have the sole enforcement authority.

Residential tenant's allegations that landlord charged her rent in excess of limits established by Minnesota Bond Allocation Act were sufficient to plead injury-in-fact, as necessary for standing to bring claim against landlord for breach of contract, even though Act did not provide tenant with private right of action to enforce its rent limits; tenant alleged that landlord promised in lease that any rent increases would be made in compliance with state and local laws, and that landlord's rent increases in excess of caused her economic injury.

Remedy provided by Minnesota Bond Allocation Act for developer's charging of excessive rent for tenants in housing project funded by municipal bond proceeds, namely statutory penalty payable to issuer, was not exclusive remedy for other parties that contracted with developer, and, thus, did not preclude tenant's claim against developer, as landlord, for violation of contractual promise not to increase rent beyond amounts permitted by Act.

Alleged failure by city, as issuer of municipal bond that funded development of housing project where tenant lived, to find that developer failed to comply with rent restrictions of Minnesota Bond Allocation Act and to assess statutory penalty did not preclude tenant's claim against developer, as landlord, for breach of contractual agreement not to increase rent beyond amounts authorized by Act; city's inaction did not govern whether developer violated lease by charging rent that exceeded statutory limit or whether tenant had standing to bring such claim against landlord.

Term "area fair market rent," as used in provision of Minnesota Bond Allocation Act requiring parties that received municipal bond proceeds for housing construction to offer at least 20% of units

at rental rate that did not exceed “area fair market rent...as established by the federal Department of Housing and Urban Development” (HUD) had technical meaning of fair market rent figure set for area by HUD, not payment standard amount set by local public housing agency; Act’s linking of rent restriction to rent figures set by HUD and mentioning of federal assistance programs indicated term had special meaning supplied by federal housing assistance law, payment standard was based on but did not equate to fair market rent, and HUD did not “establish,” meaning generate, payment standards itself.