

SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION

S.F. No. 823

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DATE
01/26/2023

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Introduction and first reading
Referred to Judiciary and Public Safety

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to civil law; requiring court notice to persons holding liens in tenant remedy

1.3 actions; amending attorney fee award limitations and lien priority in tenant remedy

1.4 actions; repealing certain requirements in tenant remedy actions for appointment

1.5 of administrators; amending Minnesota Statutes 2022, sections 504B.401, by

1.6 adding a subdivision; 504B.425; 504B.445, subdivisions 3, 4, by adding a

1.7 subdivision; repealing Minnesota Statutes 2022, section 504B.445, subdivision 8.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. Minnesota Statutes 2022, section 504B.401, is amended by adding a subdivision

1.10 to read:

1.11 Subd. 3. **Lien holder notification.** The petitioner shall provide written notice to all lien

1.12 holders of:

1.13 (1) a copy of the complaint;

1.14 (2) the time and place of the hearing; and

1.15 (3) information relative to section 504B.445, subdivision 4.

1.16 Lien holders are not required to be present or to participate in the hearing.

1.17 Sec. 2. Minnesota Statutes 2022, section 504B.425, is amended to read:

1.18 **504B.425 JUDGMENT.**

1.19 (a) If the court finds that the complaint in section 504B.395 has been proved, it may, in

1.20 its discretion, take any of the actions described in paragraphs (b) to (g), either alone or in

1.21 combination.

(b) The court may order the landlord to remedy the violation or violations found by the court to exist if the court is satisfied that corrective action will be undertaken promptly.

(c) The court may order the residential tenant to remedy the violation or violations found by the court to exist and deduct the cost from the rent subject to the terms as the court determines to be just.

(d) The court may appoint an administrator with powers described in section 504B.445, and:

(1) direct that rents due:

(i) on and from the day of entry of judgment, in the case of petitioning residential tenants or housing-related neighborhood organizations; and

(ii) on and from the day of service of the judgment on all other residential and commercial tenants of the residential building, if any,

shall be deposited with the administrator appointed by the court; ~~and~~

(2) direct that the administrator use the rents collected to remedy the violations found to exist by the court by paying the debt service, taxes, and insurance, and providing the services necessary to the ordinary operation and maintenance of the residential building which the landlord is obligated to provide but fails or refuses to provide; and

(3) notify all lien holders of the appointment.

(e) The court may find the extent to which any uncorrected violations impair the residential tenants' use and enjoyment of the property contracted for and order the rent abated accordingly. If the court enters judgment under this paragraph, the parties shall be informed and the court shall determine the amount by which the rent is to be abated.

(f) After termination of administration, the court may continue the jurisdiction of the court over the residential building for a period of one year and order the landlord to maintain the residential building in compliance with all applicable state, county, and city health, safety, housing, building, fire prevention, and housing maintenance codes.

(g) The court may grant any other relief it deems just and proper, including a judgment against the landlord for reasonable attorney fees, not to exceed \$500, in the case of a prevailing residential tenant or neighborhood organization. The \$500 limitation does not apply to complaints that result in an administrator being appointed under section 504B.445, to awards made under section 549.211, or other specific statutory authority.

Sec. 3. Minnesota Statutes 2022, section 504B.445, subdivision 3, is amended to read:

Subd. 3. **Expenses.** The court may allow a reasonable amount for the services of administrators and the expense of the administration from rent money. When the administration terminates, the court may enter judgment against the landlord in a reasonable amount for the services and expenses incurred by the administrator, including reasonable attorney fees.

Sec. 4. Minnesota Statutes 2022, section 504B.445, subdivision 4, is amended to read:

Subd. 4. **Powers.** The administrator may:

(1) collect rents from residential and commercial tenants, evict residential and commercial tenants for nonpayment of rent or other cause, enter into leases for vacant dwelling units, rent vacant commercial units with the consent of the landlord, and exercise other powers necessary and appropriate to carry out the purposes of sections 504B.381 and 504B.395 to 504B.471;

(2) contract for the reasonable cost of materials, labor, and services including utility services provided by a third party necessary to remedy the violation or violations found by the court to exist and for the rehabilitation of the property to maintain safe and habitable conditions over the useful life of the property, and disburse money for these purposes from funds available for the purpose;

(3) provide services to the residential tenants that the landlord is obligated to provide but refuses or fails to provide, and pay for them from funds available for the purpose;

(4) petition the court, after notice to the parties, for an order allowing the administrator to encumber the property to secure funds, including but not limited to third-party financing, to the extent necessary to cover the costs described in clause (2), including reasonable fees for the administrator's services, and to pay for the costs from funds derived from the encumbrance; and

(5) petition the court, after notice to the parties, for an order allowing the administrator to receive funds made available for this purpose by the federal or state governing body or the municipality to the extent necessary to cover the costs described in clause (2) and pay for them from funds derived from this source.

The municipality shall recover disbursements under clause (5) by special assessment on the real estate affected, bearing interest at the rate determined by the municipality, but not to exceed the rate established for finance charges for open-end credit sales under section 334.16, subdivision 1, clause (b). The assessment, interest, and any penalties shall be

4.1 collected as are special assessments made for other purposes under state statute or municipal
4.2 charter.

4.3 Sec. 5. Minnesota Statutes 2022, section 504B.445, is amended by adding a subdivision
4.4 to read:

4.5 Subd. 4a. **Lien priority.** A lien resulting from any encumbrance allowed by the court
4.6 pursuant to the request of the administrator under subdivision 4, clause (4), is prior to all
4.7 other liens and encumbrances on the property.

4.8 Sec. 6. **REPEALER.**

4.9 Minnesota Statutes 2022, section 504B.445, subdivision 8, is repealed.

504B.445 ADMINISTRATOR.

Subd. 8. **Dwelling's economic viability.** In considering whether to grant the administrator funds under subdivision 4, the court must consider factors relating to the long-term economic viability of the dwelling, including:

- (1) the causes leading to the appointment of an administrator;
- (2) the repairs necessary to bring the property into code compliance;
- (3) the market value of the property; and
- (4) whether present and future rents will be sufficient to cover the cost of repairs or rehabilitation.