

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MINNESOTA**

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Crossroads Residents Organized for Stable and Secure  
ResiDencieS (CROSSRDS), an unincorporated association,  
and

Civil: \_\_\_\_\_

Linda Lee Soderstrom, Maria Johnson, Craig and Donna  
Goodwin, Jurline Bryant, Clara Jean Lee, Viky Martinez-  
Melgar, Aurora Saenz, Deborah Suminguit, on behalf of  
themselves and all others similarly situated, and

**CLASS ACTION  
COMPLAINT**

Norma Ziegler, Darlene Fisher, Samuel Graham, Carlos  
Hines, Kenneth Orr, Bernard Campbell, Lisa Brown, David  
Moffet, Quaintance Clark, Khadijah Abdul-Malik, Kevin  
Vaughn, Maria de Lourdes Vargas-Pegueros, Julio Stalin de  
Tourniel, Rocillo Rodriguez, Sandra Ponce, Kerly Rios, Juan  
Martinez and Mercedes Melgar, Tamara Ann Bane, Charles  
Ward, Tressie Neloms, Dorothy Pickett, Sylvia Anderson,  
Guadalupe Rodriguez Bonilla, Tyrus Johnson, Leticia  
Barban, Alice Joiner, and Beverly Griffin, and

HOME Line, a Minnesota nonprofit corporation,

Plaintiffs,

vs.

MSP Crossroads Apartments LLC, a Minnesota corporation,  
Soderberg Apartment Specialists (SAS), a Minnesota  
corporation,

Defendants,

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**I. INTRODUCTION**

1. In 2015 Defendants MSP Crossroads Apartments LLC purchased the Crossroads at Penn

Apartments in Richfield, Minnesota. With 698 deeply affordable rental units, this complex is one

of the largest unsubsidized but affordable sources of rental housing in the Twin Cities region.

Since acquiring Crossroads, Defendants MSP Crossroads Apartments LLC and Defendant Soderberg Apartment Specialists (the managing agent) have been systematically taking steps to reposition the complex in the market in order to appeal to and house a different tenant demographic population. Crossroads has been home to Plaintiffs, a group of largely low income households, with disproportionate percentages of disabled residents, and Latino and other minority residents, as well as significant numbers of tenants using rent vouchers through the Minnesota Group Residential Home (GRH) Program and the Housing Choice Voucher Program (Section 8).

2. Defendant has now renamed the complex "Conclerge Apartments," is dramatically increasing rents, and is installing new features such as granite countertops, a golf simulator and a pet spa designed to appeal to young professionals. Defendants have and are continuing to force many current tenants and protected class members to move out through a combination of the following actions: increasing rents by up to 31%, requiring all existing tenants to reapply under restrictive admission standards, tightening occupancy standards to two persons per unit which discriminates against children, refusing to continue under the Housing Choice Voucher program, and making continued participation under the Group Residential Home (GRH) program impossible as well.
3. These actions by Defendants collectively make housing unavailable to past, current and future residents of the complex who are protected class members, in violation of the Fair Housing Act. Defendants' actions constitute disparate treatment and cause disparate impact on Plaintiffs because of their status as disabled tenants or tenants of color or on the basis of familial discrimination or national origin discrimination. Defendants' actions violate the Fair Housing Act, 42 USC § 3604 (b), by making housing unavailable, and by seeking to remake the Conclerge tenant population in ways that will predictably reduce the population of protected class tenants.

Defendants' actions also violate 42 USC § 3604 and 24 CFR § 100.500, in that any legally sufficient justification for defendant's actions could be accomplished in a less discriminatory manner to Plaintiffs. Plaintiffs seek to enjoin actions by Defendant which will displace them and to obtain other relief to remedy the injuries of current tenants and those who have been displaced.

## **II. JURISDICTION**

4. This Court has jurisdiction pursuant to 28 USC § 1331 and § 1343. This action is authorized by 42 USC § 3613. Declaratory relief is authorized by 28 USC § 2201 and § 2202. The Court has supplemental jurisdiction to consider state law claims pursuant to 28 USC § 1367.

## **III. PARTIES**

5. Plaintiff Crossroads Residents Organized for Stable and Secure Residencies (CROSSRDS) is an unincorporated association of current and former tenants of the complex now known as the Concierge. CROSSRDS defines its purpose as "To address issues related to our living environment including, but not limited to, the terms and conditions of our tenancy, activities related to housing and community development, the ongoing affordability of our homes for a diverse population of Richfield and Twin Cities residents, and efforts to preserve our homes for ourselves and future tenants in need of affordable housing. We also aim to address concerns of residents displaced from Crossroads since September 2015." Membership includes current residents and former residents of Crossroads at Penn/Concierge since September 2015. Defendants' actions as described herein have injured both CROSSRDS as an organization and CROSSRDS' members.
6. Individual Plaintiffs are described below:
  - a. Linda Lee Soderstrom has resided at the complex since 2010. She is disabled, reliant on public assistance and her Section 8 voucher. She attempted to reapply as directed by Defendants but the management would not take her application. She will be required

- to move when her lease is up in October 2016. She brings this action both on behalf of herself and on behalf of all others similarly situated, pursuant to Fed. R. Civ. P. 23.
- b. Maria Johnson is an African American who resided at the complex from 2011 until November 30, 2015. She was forced to move at that time because she attempted to re-apply but was denied due to a bankruptcy from 2012 and insufficient credit score. Even if those were not barriers to remaining, paying increased rent would have eventually been a barrier as well. Ms. Johnson brings this action both on behalf of herself and on behalf of all others similarly situated, pursuant to Fed. R. Civ. P. 23.
- c. Craig and Donna Goodwin have resided at the complex since 2010. Both are disabled, dependent on SSDI, and their Section 8 voucher. Mr. Goodwin is Native American. They anticipate moving as of February 2016 in order to find another place to use their Section 8 voucher. They bring this action both on behalf of themselves and on behalf of all others similarly situated, pursuant to Fed. R. Civ. P. 23.
- d. Jurline Bryant is senior citizen African American with disabilities whose income is limited to Social Security and her husband's pension, and who also relies on using her Section 8 voucher while going to college. The complex has been home to her since about 2001. She anticipates having to leave by May 2016. She brings this action both on behalf of herself and on behalf of all others similarly situated, pursuant to Fed. R. Civ. P. 23.
- e. Claire Jean Lee has resided at the complex since 1996. She is permanently disabled, dependent on the Supplemental Security Income program (SSI), and on the use of her Section 8 voucher. She reapplied in October 2015 but was denied due to her Section 8 voucher. She will be required to move as of May 31, 2016. She brings this action both

on behalf of herself and on behalf of all others similarly situated, pursuant to Fed. R. Civ. P. 23.

- f. Vlky Martinez-Melgar is of Mexican nationality and resides at the complex with her two month old son. She has resided at the complex since 2010. When she applied to have her partner and the father of her child live with them, the application was denied because they counted the new born infant as one of the two persons who could live in the unit. She brings this action both on behalf of herself and on behalf of all others similarly situated, pursuant to Fed. R. Civ. P. 23.
- g. Aurora Saenz is of Mexican nationality and part of a household of two adults and three children, ages thirteen, eleven, and four years. They have lived at the complex since July 2009 and moved on November 4, 2015 because the new criteria related to 2 person per bedroom and Social Security number requirements prohibited them from staying, and because the rent was becoming unaffordable. She regrets having to move because she found Crossroads to be a friendly, social community, and because her children now are bussed for an hour from Bloomington in order to remain in Richfield Public Schools. She also is paying \$310 more for rent at their new apartment. She brings this action both on behalf of herself and on behalf of all others similarly situated, pursuant to Fed. R. Civ. P. 23.
- h. Deborah Suminguit is a person with disabilities, dependent on the GRH program, who has resided at the complex since 2013, and was formerly homeless before then. She would like to stay so she can finish her GED, but her GRH worker is now helping her search for another place to move because she will not be able to stay as a practical matter under the GRH program. She brings this action both on behalf of herself and on behalf of all others similarly situated, pursuant to Fed. R. Civ. P. 23.

- i. Norma Ziegler is a person with disabilities whose rent at the complex is paid by the GRH program. She has resided at the complex since 2011. Because she cannot remain on GRH after her lease is up she will have to move by October 2016 if not sooner. Ms. Ziegler says they "have let us know that the current tenants are disposable for a better class of people."
- j. Darlene Fisher is a person with disabilities, whose only income is from the Retirement Survivors Disability Insurance program (RSDI) and whose rent is paid at the complex by the GRH program. She has resided at the complex for three years. She anticipates having to move by February 1, 2016, and will most likely have to move to a shelter, for lack of any other options.
- k. Samuel Graham is an African American man with disabilities and currently applying for SSI Disability. His rent at Concierge is paid by the GRH Program. He has resided at the complex since November 2014 and was homeless prior to that time. He would like to remain at Concierge but his GRH caseworker is telling him he cannot afford to stay on his very limited income, and is helping him search for alternative housing.
- l. Carlos Hines is an African American man with disabilities and also has his rent paid at Crossroads under the GRH program. He has resided at the complex since 2011 and was homeless prior to that time. He anticipates having to move when his current lease is up in July 2016, if not sooner, because he will not be able to afford the new higher rent, and the credit score and income requirements will exclude him.
- m. Kenneth Orr is an African American who has resided with Patricia Soncrant at the complex for the last two years. Both members of the household have relied on her Section 8 voucher to pay their rent. Orr reapplied to the complex as directed but his application was denied. He is now looking for other housing because his roommate is

moving out separately and he will need other affordable housing because he cannot afford the new rents at Concierge.

- n. Bernard Campbell has resided at the complex with a roommate since 2013. He is African American. He is fearful he will be required to move because he cannot satisfy the credit score criteria. Despite the fact that he has sufficient income to meet Defendants' new test, and despite the fact he has been able to pay the rent successfully for the last two years, Defendants have told him his credit score will not meet Defendants' new test, and so his re-application will be denied.
- o. Lisa Brown is an African American woman whose income comes from SSI disability. She has resided at the complex since 2013 and in Richfield for 27 years, and has used a Section 8 voucher to afford the rent. She would like to stay in her community but will be forced to move as of May 2016 when Defendants will no longer take her Section 8 voucher.
- p. David Moffet is a person with disabilities, who has been using a Section 8 voucher at the complex since he first moved in in 2001. He is currently searching for another place to live where he can use his Section 8 voucher.
- q. Quaintance Clark is disabled, on public assistance, and dependent on the GRH program to pay her rent at the complex. She has resided there since 2014. She wants to stay at Concierge but if she cannot use her GRH payment there or cannot find another place to use it, she is fearful she will end up in a homeless shelter.
- r. Khadijah Abdul-Malik is an African American woman who has resided at the complex since 2012. She has a limited income and depends on the GRH program to pay her rent. She is planning to move "because their criteria excludes me," including the

ability to continue to remain on the GRH program. Defendants also provided a cash incentive to leave sooner.

- s. Kevin Vaughn is an African American man on a very limited income who has resided at the complex since 2015. He anticipates moving soon because he cannot afford the pending rent increase.
- t. Maria de Lourdes Vargas-Pegueros resides in a household of two Latino adults and has done so since 2013. They anticipate having to move in May 2016 when their lease expires and the rent will go up to a level they cannot afford. They would rather stay because "for us, this is a cultural hub for our community."
- u. Julio Stalin de Tourniel, a Latino man, has resided at the complex since 2014 with his partner and a son, who is now nine months old. Besides being unable to afford the increased rent, Defendants have told Plaintiff that because they count the infant as one of the two persons who can occupy a unit, the family of three does not qualify to remain. Plaintiffs anticipate having to move when their lease is up in September 2016.
- v. Rocillo Rodriguez lives in a household of two adults and a one year old infant. She has resided at the complex since October 9, 2015, and only learned about the rent increases and new policies a week after moving in and signing her lease. Now she anticipates having to move when her lease is up March 31, 2016.
- w. Sandra Ponce moved into Crossroads in February 2014. She is of Mexican nationality and lives with another adult and her two year old child. She cannot afford the new rent and is planning to move in February 2016 to a location much farther from school and jobs. She loves Richfield and didn't want to move.
- x. Kerly Rios is Latino and part of a household of two adults and two children, ages five and three. They have resided at the complex since 2009. They are planning to move when



their lease is up in August 2016 despite worries about having to pull their children out of the local schools. They will have to move because the complex no longer wants families and they will not be able to afford the new rent. They feel discriminated against by management.

- y. Juan Martinez and Mercedes Melgar live in a household of two adults and two children, and have been at the complex for eight years. They have been told they cannot remain because there can be no more than two people and no children. It is also difficult for them to afford the new higher rent. As a result the family moved in November 2015, and now live farther from their children's school and their jobs, and have to pay increased rent.
- z. Tamara Ann Bane is disabled, dependent on SSDI for income and on a Section 8 voucher. She resided at the complex from January 1, 2010 until November 28, 2015. She moved to another apartment outside of Richfield in order to continue use of her Section 8 voucher. She grew up in Richfield and wishes she could remain at the complex with her voucher.
- aa. Charles Ward is an African American with disabilities. His rent at Concierge is paid by the GRH Program. He has resided at the complex since February 2010. He would like to remain at Concierge but his low income, low credit score, and the higher rent means he must leave when his lease ends at the end of February 2016. He attempted to reapply as directed but the management advised him he did not meet standards.
- bb. Tressie Neloms is a disabled African American who has resided at the complex since April 2013. She has a limited income on SSDI and depends on the GRH program to pay her rent. She experienced homelessness in 2012. She wants to stay at Concierge but if

she cannot use her GRH there or cannot find another place, she is fearful she will end up in a homeless shelter.

- cc. Dorothy Pickett is an African American who has resided at the complex since June 1, 2015. She wishes to stay at the complex but she is unable to pay a \$140 rent increase and she is concerned they will deny her because of a bankruptcy from 6 years ago. She attempted to reapply as directed but the management would not take her application. She is concerned about having to find a second job to pay for rent and about becoming homeless if she cannot find another place.
- dd. Sylvia Anderson is a disabled African American whose only income source is SSDI and who also relies on using her Section 8 voucher. She moved in May 1, 2015. She would like to stay as long as she holds a Section 8 voucher but will be forced to move in April 2016 when Defendants will no longer take her Section 8 voucher.
- ee. Guadalupe Rodriguez Bonilla is of Mexican nationality and part of a household of one adult and one child, age 15 years. They have lived at the complex since August 2008 and expect to have to move at the end of January 2016 because the rent increase prohibits them from staying. Her husband and other child live at another apartment complex and they had hoped to live together at Crossroads but the new criteria related to 2 person per bedroom would prohibit that.
- ff. Tyrus Johnson is an African American who has lived at the complex since May 2015. He works nearby the complex and foresees the rent increase and income requirement being a barrier to staying beyond June 2016. He was recently told by management that the minimum income requirement had been further increased, from 2 ½ times the rent to 3 times the rent.

gg. Leticia Barban is of Mexican nationality and part of a household of two adults and two children, ages nine and fifteen. They have resided at the complex in two different units since December 2010. Their rent recently increased \$159 on January 1, 2016, which is more than they can pay long-term. They foresee moving May 2016 because the 2 person occupancy standard will not allow them to stay, and the rent is becoming unaffordable. They are concerned about keeping their children in Richfield Public Schools. They have also been told that the minimum income requirement is being increased again, to 3 times the rent.

hh. Alicia Joiner is an African American woman whose rent is paid by the GRH program and has lived at the complex since June 2015. Prior to receiving a GRH subsidy, she experienced homelessness. She anticipates that the rent increase and minimum income requirements will cause her to be displaced in June 2016.

ii. Beverly Griffin is an African American woman who has resided at the complex since October 2014. She anticipates that she will have to move in September 2016 due to the new minimum credit score, income requirements, and rent increase.

7. Many of the tenants with disabilities who reside at the complex have issues related to their mental health. The stress of being displaced from their homes and lacking the resources to move elsewhere is significantly exacerbating their symptoms.
8. Plaintiff HOME Line is a nonprofit tenant advocacy organization, originally based in suburban Hennepin County and now operating throughout Minnesota. HOME Line provides free legal, organizing, education and advocacy services so that tenants can solve their own rental housing problems. HOME Line also works to improve public and private policies relating to rental housing by involving affected tenants in the process.

9. A substantial portion of HOME Line's tenant organizing and public policy work involves efforts to preserve the existing supply of affordable rental housing for Minnesota's low and moderate income households. HOME Line has been working with tenants to preserve the affordability of their subsidized rental housing since 1997. Through this work, HOME Line has successfully helped preserve the affordability of 93 different subsidized complexes, and helped to preserve over 6,800 units of affordable housing. HOME Line has been actively working with plaintiffs at Crossroads/Concierge since Defendants announced their plans for Concierge in October 2015.
10. Defendant MSP Crossroads Apartments LLC, a Minnesota corporation, is the owner of Concierge Apartments, having acquired the complex on or about October 1, 2015.
11. Defendant Soderberg Apartment Specialists (SAS), a Minnesota corporation, is the current manager of the complex, and responsible for implementing the changes at Concierge announced by the owners. On information and belief SAS President Jim Soderberg also has an ownership interest in the Concierge.

#### **IV. CLASS ALLEGATIONS**

12. Plaintiffs seek to represent a class defined as all tenants who have resided at Crossroads at Penn Apartments in Richfield, Minnesota as of October 1, 2015 and through the resolution of this action, who are members of a protected class under the Fair Housing Act, and who have been involuntarily displaced, or are threatened with displacement due to the collective impact of Defendants' actions described herein.
13. The class is so numerous that joinder of all members is impracticable.
14. There are questions of law and/or fact common to the class, as set forth below.
15. Plaintiffs' claims are typical of the claims of the class as a whole.
16. Plaintiffs will fairly and adequately represent the interest of the class. Plaintiffs know of no conflicts of interest among members of the class.

17. Plaintiffs are represented by attorneys who are experienced class action litigators and will adequately represent the interest of the entire class.
18. A class action is appropriate in this case pursuant to Fed. R. Civ. P. 23(b)(2) because
  - a. Defendants have acted on grounds generally applicable to the class, making appropriate injunctive or declaratory relief with respect to the class as a whole.
  - b. Questions of law and fact common to the plaintiffs' class include:
    - i. Whether Defendants' actions as described herein have resulted in the disparate treatment of plaintiffs on the basis of their protected class status under the Fair Housing Act;
    - ii. Whether Defendants' actions as described herein have caused a disparate impact on plaintiffs on the basis of their status as protected class members under the Fair Housing Act.

#### **V. FACTS**

19. Plaintiff tenants currently or until recently lived in what was known as the Crossroads Apartments in Richfield, Minnesota, now known as the Concierge. The complex consists of 698 units, almost exclusively one bedroom apartments, with rents as of September 2015 ranging from \$710/month to \$760/month. This has made the Crossroads Apartments perhaps the largest source of unsubsidized affordable rental housing in the Twin Cities Region.
20. The Crossroads has also served as a critical source of housing for low income disabled and in some cases formerly homeless residents under the State of Minnesota's Group Residential Housing Program (GRH), one aspect of which provides rental vouchers to enable tenants to live in the private market. To be eligible, recipients must be low income and either seniors or adults with disabilities. At the time Defendant purchased the Crossroads, approximately 100 residents relied on GRH rent subsidies. The GRH program can pay rent and utilities up to \$891/month. A large

share of GRH program participants are persons with disabilities. As described further below, Defendants' actions are making it largely impossible, practically speaking, for GRH program participants to remain at Concierge.

21. In addition, tenants with Housing Choice Vouchers under the Section 8 program also had come to rely on using those vouchers at this complex, as well as some tenants using other vouchers under smaller specialized programs. At the time of acquisition, approximately 35 residents used Housing Choice vouchers at Crossroads. Defendants will no longer accept vouchers after May 2016.
22. According to Defendant SAS president Jim Soderberg, at or shortly after the time of acquisition, the Concierge housed 2230 total residents.
23. The tenant population as of September 2015 was generally lower income with significant numbers of tenants of color, particularly Latino tenants, and persons with disabilities.
24. In September 2015, Defendant MSP Crossroads Apartments LLC acquired the complex from the previous owners.
25. On September 30, defendant issued a letter to all residents, attached hereto as Exhibit A. The letter announced a change in name to reflect "our exciting future plans. The new name is Concierge Apartments." The letter informed tenants that they must vacate at the end of their lease term unless they choose to reapply and be considered under new screening criteria.
26. The letter further advised that residents reapplying and approved for residency would then be paying new market rate rents. Meanwhile, renovation would begin on all units, with kitchen upgrades in the form of new cabinets, granite countertops, and a new sink. Since "Management does not participate in the Section 8 program," Section 8 residents would be phased out after a transition period.

27. Prior to the September 30 notice, rents varied somewhat but were generally in the low \$700's, including as low as \$710/month. At least some of the tenants received notices shortly before the sale to Defendant increasing their rents from \$740 to \$769.
28. Reports on new rents to be charged have also varied somewhat. According to ForRent.com, the Concierge is advertising units available at \$879 to 899/month for one bedroom units, with larger one bedroom units renting at \$929-949/month. A tenant who was recently paying \$740/month and would now have to pay between \$879 and \$929, would be facing an increase of between 19% and 26%. A tenant who has been paying \$710/month and now faces the same new rent would be incurring an increase of between 24% and 31%.
29. Despite evidence that the previous owner T. E. Miller had kept up the apartments well, James Soderberg of Defendant Soderberg Apartment Specialists, the manager of the complex, announced that he was planning extensive interior and exterior overhauls of the property, characterizing the make-over as a "total transformation" of the apartment building. On another occasion, Soderberg promised "a spectacular, condo-quality renovation."
30. It is evident that Defendant seeks to substantially change the nature of the tenant population at Concierge. The ForRent.com website describes the complex in this way: "Enjoy a gourmet kitchen with stainless steel appliances, granite counters, and hardwood style flooring and extra storage. Concierge community features a huge resort style outdoor pool, tennis and volleyball courts along with a new fitness center with 'Fitness on Demand' and free weights."
31. According to other reports, "the clubhouse will be more elaborately tricked out, with an indoor golf simulator, a yoga and more studio, and a game room, with other new toys. Other features up young professionals' alleys will include a spa for haircuts, massages, and tanning, a pet spa, and a laundry valet." The complex is across the street from Best Buy Headquarters, and Defendant is seeking to market units to Best Buy employees.

32. Among Defendants' new screening requirements is a requirement of no more than two persons per bedroom—no exceptions. Since almost all units in this complex are one bedroom units, that effectively limits each unit to no more than two persons. According to Soderberg, in late November 2230 persons resided at Concierge, which works out to an average of 3.2 residents/apartment. In order to comply with Defendants' new standard, the population would have to be reduced to 1396 people, or 834 fewer people than the number recently residing at Concierge.
33. Defendants have applied this new restriction to plaintiffs Viky Martinez-Melgar and Stalin de Tourneil, and perhaps to others in the same situation, to bar continued occupancy despite the fact that Viky Martinez-Melgar's household consists of herself and one infant child (see paragraph 6.f), and Stalin de Tourneil's household consists of himself and his wife and one infant child.
34. The City of Richfield Housing Code (Chapter 4, Section 405.15 Subd. 2 of the Code of Ordinances) permits up to four persons to occupy units that are the size and configuration of the Concierge units.
35. In denying continued occupancy on the basis of newly born children who Defendants consider to exceed their occupancy limits, defendants have also failed to comply with the notice requirements of Minn. Stat. § 504B.315.
36. Defendant also now requires all tenants to provide social security numbers. On information and belief, among the large number of Latino residents in Concierge are a substantial number of undocumented residents who will not be able to comply with this requirement, despite having otherwise complied their tenant obligations.
37. In addition Defendants have also instituted new requirements that many of plaintiffs will not be able to meet, including a requirement that residents have income equal to two and a half times the rent, and a minimum FICO credit score of 625. Although these new requirements are



presumably intended to ensure tenants will be able to afford the rent, they will effectively exclude many plaintiffs despite the fact that plaintiffs have generally had a positive rent payment history at Crossroads. A requirement of a minimum FICO score of 625 is higher than that required by most landlords, which is typically in the 550-600 range. The minimum income requirement imposed in October 2015 has now been increased, to 3 times the rent.

38. The letter announcing the changes in rents and policies was greeted with great dismay and alarm by many of the residents and organizations that work with them, who feared involuntary displacement. Among others, the Richfield Public School District contacted Defendant to register its concern about the great number of families who would be displaced in the middle of the school year, estimated by the District to be 142 students.
39. On or about October 19, 2015, Defendant responded with another letter to the residents, attached hereto as Exhibit B, announcing that it was delaying the proposed changes so that tenants could remain and not have to be reapproved under new standards until May 31, 2016. Rent increases, however, would still go into effect when current leases expired. The letter also stated that management was "reviewing screening and application requirements in an effort to make it possible for more current residents to remain at the property." As of the date of this complaint, no indication has been provided of any changes in the originally proposed requirements.
40. On October 20, a group of social service organizations wrote to Defendant voicing their concerns about massive displacement and asking for a meeting. On October 22, Erik Falkman, Chief Operating Officer of Soderberg Apartment Specialists, wrote back restating the ways in which Defendant had responded to concerns, and declining to meet.
41. Although Defendant's employees have minimized estimates of the number of residents likely to be displaced, Richfield Mayor Debbie Goettel estimated that 267 families could be pushed out of

the property. As of January 2016 at least 159 units had been vacated from a complex which had previously been fully occupied.

42. New rents, which will range between \$879-949/month, make it impossible, practically speaking for many GRH program residents to remain with a payment standard of only \$891. In some cases the GRH payment of \$891 has to cover both rent and the electric bill owed by the tenant, which makes the GRH payment even more inadequate for the new rents.
43. In addition, new Concierge rules related to minimum income (previously 2.5 times the rent, now 3 times the rent), and a FICO credit score of 625 will be barriers for many GRH clients, particularly those who have previously been homeless. While Defendants have not refused to take GRH in the same way they are refusing Section 8 vouchers, the combination of rent increases and new admission standards effectively precludes most or all GRH residents from remaining.
44. On at least two occasions, Soderberg has elaborated on an additional reason for the building transformation. In response to a reporter, he stated, "When you get to the point when things are so run down, you attract undesirable residents. You get to the point where good, responsible people don't want to live in these apartments." Before the Richfield City Council on November 24, Soderberg made essentially the same point. To the extent 'undesirable residents' have resided at the complex, Defendant's actions go well beyond forcing such tenants out, to also forcing out many tenants who have complied with lease requirements.
45. Soderberg Apartment Specialists (SAS) declares itself to be a specialist in addressing "rundown" or "problem" properties. Defendant's November 30 letter more fully describes the business model that it applies generally to such properties and not just to the Concierge. Exhibit D. On his "Linked In" page, SAS President Jim Soderberg notes: "Our specialty is turning problem neighborhoods and cities around by doing extreme makeovers on problem apartment complexes

and attracting great residents to live in our communities. Our other specialty is adding value to underperforming apartment communities.”

46. In the course of rehabilitating the complex, including all units, while tenants are still living there, Defendant SAS has further encouraged current tenants to leave by forcing them to live in construction zones, and endure hardships like periodic temporary termination of utilities, excessive dust, noise and flooding.
47. On November 19, 2015, counsel for the Plaintiffs wrote to Defendants asserting that Defendant’s actions would cause a disparate impact under the Fair Housing Act, and as a result, Defendant was obligated to ensure that it pursued any legitimate business justifications it had for its actions in a manner that had the least possible discriminatory impact. The letter, attached hereto as Exhibit C, also suggested a proposal which would allow Defendant to accomplish its business purposes while doing so in a less discriminatory way, through financial incentives.
48. On November 30, 2015, Counsel for Defendant wrote a response, attached as Exhibit D. Defendant’s letter rejected Plaintiff’s proposal, defended its plans, and refused to consider any further changes.
49. If Defendant follows through on its plan to reposition this complex in the market by transforming its tenant population demographics, defendant’s actions will cause a disparate impact on protected class persons in two ways, with one group being involuntarily displaced from the complex, and the other group denied the opportunity to look to this complex as a source of affordable housing in the future.
50. Defendants’ actions also result in disparate treatment of minority and disabled tenants. The clear and predictable consequence of Defendants’ “extreme makeover” of Crossroads into Concierge is that a tenant population with a large share of minority and disabled tenants will be replaced by a tenant population consisting largely of young urban professionals likely to be largely white and

non-disabled. Pursuing this "extreme makeover" with knowledge of the resulting impact this will have on protected class tenants indicates intentional discrimination. Despite Defendants' assertions that they hope many Crossroads tenants will stay, their actions as described above suggest otherwise. Adding granite countertops, a golf simulator, and a pet spa is an additional indicator Defendants seek a different tenant population.

51. Defendant's actions have displaced and will displace significant numbers of disabled tenants and tenants of color or other national origin, who are or have been living in the building, either because they can no longer afford the rent, or because they cannot meet the new screening standards, or both. They will be irreparably harmed by this displacement.
52. It is extremely difficult to find alternative affordable housing with rents comparable what the rents have been at this complex. Rental projects that are publicly subsidized tend to have very long waiting lists. Richfield already lacks sufficient affordable housing for its residents. Even before the loss of affordability with this complex, 29.3 % of Richfield households at 50% of the Area Median Income or below are already cost burdened, according to US census data, meaning they are paying more for housing than they can afford.
53. In addition, similar protected class members who would look to this apartment complex in the future as a source of affordable housing will no longer be able to do so, and will be forced to compete for an already inadequate supply of such housing.
54. Minority households in the Twin Cities Metro Area disproportionately depend on the region's supply of affordable rental housing. According to the U.S. Department of Housing and Urban Development (HUD) data, 30.1% of metro area minority households are low income (at or below 50% of area median income) renters with problems like unaffordable rents (greater than 30% of income), lacking kitchen or plumbing, or overcrowding, whereas only 7.6% of white, non-Hispanic

households are. Minority households are thus nearly four times more likely to need decent low cost rental housing than white, non-Hispanic households.

55. Persons protected by the Fair Housing Act are disparately affected by Defendants' actions in another way as well. The group of persons residing in Crossroads and affected by defendant's actions, as of the time defendant took possession of the complex, are disproportionately persons with disabilities, of color or of other national origin. GRH residents, most of whom are disabled, constituted 14% of the household population at the time defendant took over the complex, and counting other disabled tenants in the complex but not in the GRH program, significantly exceeds the share of the Minnesota population which is disabled, which is 10%, according to the 2013 American Community Survey.
56. The number of tenants who are of color in the complex are also significantly greater than the share of those groups in the general population. According to 2010 census data, the complex constitutes 58% of the renter-occupied units in the tract, and the tract has a minority population of 52% minority, compared to the percent of minority population in Richfield as a whole, which is 36.8 %. The Richfield School District has estimated that the 142 families with children in Richfield schools likely to be displaced match the demographics of the district as a whole, which is 65% families of color, including 40% Latino households.
57. A recent survey of residents attending a meeting to discuss the future of the complex, although based on a limited sample (44 responses), further confirmed the disproportionate share of Crossroads households that are protected class members: 43% identified as non-white, 23% identified as Hispanic, 25% identified as having a disability, and 43% noted they have a housing subsidy. Included in both groups are participants in the Housing Choice Voucher program and the GRH program, with neither group allowed to remain under defendant's new policies.

58. As reported earlier, at the time Defendants acquired Crossroads, about 100 tenants resided there under the GRH program and 35 other tenants used section 8 vouchers. Due to the requirements of the GRH and Section 8 programs, it is likely that many of the Crossroads tenants participating in GRH or Section 8 have a disability. According to US Census Bureau statistics, 9.7% of the population residing in the census tract where Crossroads/Concierge is located has a disability whereas the population at Crossroads participating in these two disability related programs amounted to 19.7% of the household population when Defendants took over. This indicates an over-representation of disabled tenants at Crossroads. If disabled tenants at Crossroads not participating in the GRH or Section 8 programs are counted (not currently known) the over-representation is likely even greater.

59. According to HUD data, in Hennepin County, 35% of non-disabled renters are lower income households with problems whereas 54%-60% of disabled renters are low income households with problems. Thus disabled households are 50% to 70% more likely to need sound housing affordable to low income households than non-disabled households.

60. The November 30, 2015 letter from Defendant's counsel, Exhibit D, suggests the business justification Defendant will offer justifying the disparate impact it has imposed. The letter notes that "Soderberg Apartment Specialists has a proven track record of acquiring residential properties that have often been identified as deeply troubled or problem properties..." and renovating and upgrading those properties, implying that Crossroads was such a problem property. The letter also asserts the previously deeply affordable nature of the complex must give way to higher rents because that affordability had only been possible due to deferring needed investments.

61. There are several problems with Defendant's suggested justification. First, Crossroads was not a "troubled or problem" property. The property has been characterized as having been well

maintained, and there is no known evidence of an unusual degree of problem tenants. The previous owner had made significant investments in the property.

62. Second, defendant has chosen to go well beyond renovating and upgrading the project to pursue a deliberate strategy to reposition the property in the marketplace to appeal to a different tenant demographic.

63. Third, less discriminatory business models are available to defendant which would not cause the displacement and loss of affordability described above. A strategy which resorted to much more modest investments and rent increases without repositioning the building in the market was and is available, while still providing a solid financial return to Defendant and its investors. Moreover, Defendant also rejected another strategy for a less discriminatory business model when it refused to consider the public subsidy strategy counsel for Plaintiffs suggested in its letter of November 19, Exhibit C.

64. Plaintiff tenants will be irreparably harmed, in some cases because they have been forced involuntarily to move, and in others, because they remain but are paying unaffordable rent causing severe financial problems. The ongoing harm to Plaintiff HOME Line is irreparable because in the absence of the Court's intervention, badly needed housing resources for low income renters will be irrevocably lost.

65. Through their actions, defendants have interfered with HOME Line's mission, and have also caused the organization to have to divert resources from other activities to combat the effects of defendants' actions herein. By shifting the tenant population from one of lower income predominantly minority households to one aimed at young largely white urban professionals, and by removing this resource of deeply affordable rental housing, Defendants have interfered with HOME Line's mission to preserve affordable rental housing (both for current and future tenants),

and have also interfered with HOME Line's mission to assist tenants in solving their own rental housing problems, as Defendants' actions have made that considerably more difficult.

66. Also because of defendants' actions, HOME Line has had to divert significant organizational resources from other planned activities in order to address the threatened loss of affordability at these properties. Upon learning of the defendants actions, HOME Line redirected the expenditure of staff time and other organizational resources (travel, postage, materials) to directly contact affected tenants via mail, phone, and in-person, meeting with other organizations to discuss the issue, investigate its own records, and investigate potential legal claims. As a result of these activities, HOME Line staff had less time to devote to its tenant organizing activities and its tenant hotline services.

## **VI. LEGAL CLAIMS**

### **Disparate Treatment**

67. The federal Fair Housing Act prohibits discrimination in housing practices on the basis of protected class status, including race, disability, familial status and national origin. 42 USC § 3604. In the course of engaging in a series of actions designed to substantially alter the composition of the tenant population at Conclerge, Defendants have treated plaintiffs differently by making housing unavailable, on the basis of race, disability, familial status and national origin, in violation of 42 USC § 3604 (a) and (b), giving rise to a cause of action under 42 USC § 3613.

### **Disparate Impact**

68. The federal Fair Housing Act also prohibits discrimination in housing practices on the basis of protected class status, including race, disability, familial status and national origin, under a theory of disparate impact. 42 USC § 3604. In 2013, the Department of Housing and Urban Development (HUD) promulgated regulations on disparate impact, codifying case law recognizing that in certain circumstances, liability can be established under the Fair Housing Act on the basis of actions causing



discriminatory effect, even if not motivated by discriminatory intent. 24 CFR § 100.500. If the complaining party establishes a discriminatory effect resulting from defendant's practices, defendant must then provide a legally sufficient justification to avoid liability. However, even if the defendant does so, the complaining party may still prevail if it can prove that defendant's interests could be served by a less discriminatory practice. *Id.*

69. Defendant's actions in repositioning the Concierge in the rental market with a different tenant demographic, through a series of actions more fully described above, constitute a practice which will and is causing an adverse impact on Plaintiffs in their status as disabled tenants and tenants of color and on the basis of their familial status and national origin, in violation of the Fair Housing Act, 42 USC § 3604 (a) and (b), and 24 CFR § 100.500.
70. In pursuing any legally sufficient justifications for their actions, Defendants are failing to employ practices which serve Defendants' interests, but which have a less discriminatory effect, such as those described above.
71. As a result, Plaintiffs are entitled to a finding that Defendant has violated their rights under the Fair Housing Act.

#### Occupancy Standards

72. One aspect of Defendants' new policies is the establishment of an occupancy limit of no more than two persons per unit, with no exceptions.
73. Such a policy is both more restrictive than the City of Richfield allows under its housing code and is inconsistent with federal Fair Housing occupancy standards as established by HUD.
74. This no exception occupancy limit has a disparate impact with respect to Concierge residents who have children, particularly those with infants.
75. Defendants' Occupancy policy violates the Fair Housing Act, 42 USC § 3604 (a) and (b), and 24 CFR § 100.500, entitling Plaintiffs to relief pursuant to 42 USC § 3613.

76. Defendants have also failed to comply with the notice and timing requirements of Minn. Stat. § 504B.315 in denying continued occupancy on the basis of newly born children in Plaintiff families.

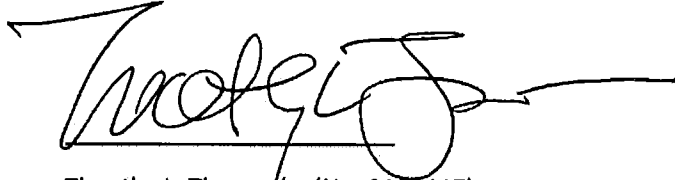
**VII. RELIEF SOUGHT**

77. Plaintiffs seek an order from the Court:

- a. Certifying the case as a class action;
- b. Issuing a declaratory judgment in favor of Plaintiffs;
- c. Granting preliminary and permanent injunctive relief enjoining Defendant from taking further actions which will displace or harm Plaintiffs;
- d. Awarding damages to Plaintiffs, including compensatory damages to plaintiff organizations HOME Line and CROSSRDS equal to the diversion of organizational resources incurred as a result of Defendants' actions;
- e. Awarding costs and attorney fees to Plaintiffs pursuant to 42 USC § 3613;
- f. Granting such further relief as the Court may deem just.

Dated: 2-1-16

**HOUSING JUSTICE CENTER**



Timothy L. Thompson (No. 0109447)  
John Cann (No. 174841)  
570 Asbury St, Suite 104  
St. Paul MN 55104  
651-642-0102 (phone)  
651-642-0051 (fax)

**ATTORNEYS FOR PLAINTIFFS**

Exhibit A

**Soderberg Apartments Specialists, LLC**  
**6401 Camden Ave N.**  
**Brooklyn Center, MN 55430**

September 30th, 2015

Dear Residents:

Recently, residents were notified that MSP Crossroads Apartments LLC had acquired the property formally known as Cross Roads at Penn LLC. The managing agent for MSP Crossroads Apartments, LLC is **Soderberg Apartment Specialists, LLC (Management)**. The address of Management, and an agent authorized or accept service of process and receive and give receipt for notices and demands is as shown at the top of this letter. We are in the process of changing the name of the community to reflect our exciting future plans. The new name is Concierge Apartments.

This letter includes many important notices we are giving to all residents at Concierge Apartments concerning our screening criteria and signing the standard lease forms and paperwork of Management and our plans to do community-wide upgrades and renovation of all apartments and common areas.

This letter is notice to all residents that your lease term will terminate, and you must vacate, at the end of your lease term. This letter is an invitation and request that all current residents review our screening criteria and make an application to be approved and to remain residents of Concierge Apartments. If residents do not apply, get approved, and sign new lease paperwork, you will need to move at the end of your current lease. This letter is being delivered on September 30, 2015 so that residents with month-to-month leases, and a two month notice period, have the benefit of 90 full days between now and December 31, 2015 to vacate if you do not choose to re-apply and remain a resident at Concierge Apartments. Residents that re-apply and are approved for residency, will have a choice of lease options and terms that will be at the market rate rents that are in place for new applicants for the size and model of apartment chosen. Management will honor the current rental rates of month-to-month residents through December 31, 2015 that remain in their current apartments even if a new lease is signed.

We recognize that the renovation plan, our new rental rates and screening criteria may be challenging for some of our residents. To give residents maximum flexibility to deal with the change in ownership and upcoming renovations, we are giving all current residents an opportunity to terminate their lease, and to vacate without fulfilling any lease term or two month notice period, by giving us written notice and at least one full week notice of your intended vacate date. Residents that vacate within one week of giving notice, and turn in all keys and access materials and completely vacate the apartment leaving it in a reasonably clean condition, will receive a refund of any rent paid for that month pro rated to the date you vacate. Your security deposit, with interest as calculated by law, will be returned in the normal 21 day period.

Notice is being given to all current residents that Management plans to upgrade and renovate all kitchens at the property at once over the next few months. The kitchen renovations will take place in occupied units. The kitchen upgrades will include new cabinets, granite, and a new sink. Residents will be given at least 48 hours notice on entry for work to do kitchen renovations. Residents will need to empty all cupboards and drawers. In most cases, the kitchen renovation can be completed during normal working hours and will be completed in one or two business days.

Current residents are eligible to reapply and to be screened for their current or a renovated apartment subject to the same terms and conditions that will apply to all new applicants. These terms and conditions are as follows:

1. All applicants must apply and be screened and approved to meet Management's current tenant selection and rental criteria. For current tenants that apply before October 16, 2015, Management will waive its normal, nonrefundable, screening fee.
2. Management does not participate in the Section 8 program. Management will honor all lease terms for current Section 8 residents until those leases expire. To help Section 8 residents with a transition period, Management will allow Section 8 residents that have lease terms expiring between now and January 31, 2016, to extend your lease, at its current rental terms without a rent increase, until February 29, 2016. The extension would be on a month-to-month basis and subject to Section 8 approving your extended tenancy, after the expiration of any term lease, on a month-to-month basis. As existing Section 8 leases expire, Management will no longer accept or participate in the Section 8 program. This letter is notice to all participants in the Section 8 program that your lease will expire, and you must vacate, on the date your lease ends. If your lease ends before January 31, 2016, you may request that we extend your lease until February 29, 2016. No additional notices to vacate or notices of termination of your lease will be given. Management will communicate with the Richfield HRA that it is not offering existing Section 8 tenants a renewal lease.
3. All applications from current residents, or new applicants, will be subject to the standard lease terms and conditions in place at Concierge Apartments LLC, and to the market rent for your current or a renovated apartment. As mentioned above, we will honor the rent in place for current residents, with a month-to-month lease, until December 31, 2016 even if a new lease signed for your current apartment. We are including for your information a copy of the Rental Application and rental criteria used by Concierge Apartments LLC.
4. If you wish to give notice and vacate your apartment, with the one week notice option stated above, please submit your written notice to the rental office. If you want to make an application, and take advantage of the waiver of the screening fee in place until October 16, 2015, contact the rental office, at 612-866-3628, as soon as possible.

We are excited about the community-wide renovations and upgrades planned for Concierge Apartments. In addition to a complete renovation and upgrade of all units, we have exciting plans for the community room and common areas. We recognize change can be challenging and that moving can be hard. Although many current residents at Cross Roads at Penn LLC have a clause in your lease giving a new owner a right to end the lease on 30 day notice, Management is trying to work with all residents to allow at least two months' notice, giving you flexibility, and to make the renovation and community transformation as smooth as possible.

Please feel free to call the rental office if you have questions.

**EMERGENCY MAINTENANCE NUMBER IS 888-241-3815**

Sincerely yours,  
MANAGEMENT

## Concierge Apartments

7620 Penn Ave South  
Richfield, MN 55423  
612-866-3628

1. **PROCESS**-All applications must be completely filled out. We will not process an application that is incomplete. Any omissions or any misstatements on the application are ground for denial.
2. **PHOTO ID**-required
3. **SCREENING SERVICES**-app fee: \$40.00 per person over the age of 18/non-refundable. Screening provided by: Experian-1-888-397-3742. We look for a credit score of 625 or higher through Experian. We cannot take an application for an apartment that is not available at the time of applying.
4. **LEASE PAPERWORK**-Applicants who have been approved for occupancy will not be entitled to an apartment until ALL documents are signed-the holding fee is applied to the security deposit.
5. **OCCUPANCY**-Standards are 2 persons per bedroom. (NO EXCEPTIONS)
6. **AGE**-No person under 18 years of age may solely lease or take tenancy of an apartment. Any resident may be required to sign a lease and run background check after reaching 18 years of age.
7. **MINIMUM INCOME**-All applicants must have the income to pay rent and utility costs. We require two and one-half times the rent amount. Each applicant shall be screened separately unless there is a partnership.
8. **HOUSING HISTORY**-The name & phone number of the last known landlord/property manager must be listed. Failure to disclose this is cause for rejection of your application. We require a positive rental history.
9. **EVICTON FILINGS (UD)**-Evictions w/in the last 3 years for rent or eviction actions for the past 6 years for other reasons are basis for rejection of your application.
10. **CRIMINAL**-Applicants with a criminal history may be rejected.
11. **RELATIONSHIP**-The relationship between the landlord and tenant is a business relationship. We reserve the right to refuse rental to anyone who is verbally abusive, swears, is disrespectful and makes threats.
12. **EXCEPTIONS**-Some may be considered for applicants who do not have a housing history or credit score because it is their first time-borderline applicants with income. Exceptions are based solely on the discretion of Management, will depend on the over-all strength of the applicant's application and require four times the rent amount. An additional security deposit may be required.
13. **FAIR HOUSING**-We are an equal opportunity housing provider. We do not discriminate on the basis of sex, race, color, creed, national origin, ancestry, marital status, religion, familial status, disability, affectional preference or status with respect to the public assistance or any other protected class category. We do provide reasonable accommodations to persons with disabilities.

7620 Penn Ave South, Richfield, MN 55423 612-866-3628



SODERBERG  
APARTMENT  
SPECIALISTS

APPLICATION FOR  
RENTAL OCCUPANCY



RHR Information Services, Inc.  
10505 Wayzata Boulevard, Suite 200  
Minnetonka, MN 55305  
PH (952) 545-3953

Last Name		First Name		Middle

Social Security #	Birth Date	Drivers License	State

Addresses	City, State & Zip	From / To	Management
Current		/ ( ) -	
Previous		/ ( ) -	
Previous		/ ( ) -	

Employer / City, State	From / To	Contact /Phone #	Income
Current	/ ( ) -		
Previous	/ ( ) -		

Bank Reference	Applicant's Phone #	Additional Information
Institution	Residence	E-Mail Address:
Type	Work	Pets:

Name	Address	Phone Number
Party to Notify In Emergency		
Nearest Friend		
Parent of App.		

**Have You Ever**

Refused to Pay Rent When Due: Yes / No    Filed for Bankruptcy: Yes / No    Discharge Date: \_\_\_\_\_    Been Evicted: Yes / No

Been Convicted of a Felony/ Gross Misdemeanor: Yes / No If Yes, Explain: \_\_\_\_\_

**Signed Release**

I/We authorize RHR Information Services, Inc. (RHR) to do a complete Investigation of all information provided above. I/We have personally filled in and/or reviewed all information listed above. I/We understand failure to complete this form completely and truthfully may result in denial and/or forfeit of deposit. A complete investigation may include any or all of the following: Credit Report, Verification of Employment and Income, Criminal Record Search, Rental History References (including MHPA) and Personal Interviews with above references. I/We understand that I/we have a right to make a written request within 30 days to receive information pertaining to this report if I/we are not accepted based on information contained in the report. I/We authorize RHR to provide to the credit grantor federal and state records of employment and income history, including State Employment Security Agency records. This authorization continues for (1) year unless limited by state law, in which case the authorization continues in effect for the maximum period, not to exceed (1) year, allowed by law. My Signature below authorizes all above listed companies to release rental payment information, job history information (including salary) and criminal record information.

<b>Applicant Identification</b>			<b>NO PHOTO</b>
BIRTH DATE	VERIFIED BY COMPLEX		
DRIVER'S LICENSE NUMBER			
FIRST NAME	MIDDLE NAME	LAST NAME	

APPLICANT SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_

Exhibit B



**NOTICE OF ADDITIONAL TIME TO STAY  
AT CONCIERGE APARTMENTS**

**Notice of Rent Increase**

Dear Residents:

Earlier this month we gave all residents notice of new ownership and Management's plans to renovate individual units and the entire rental community. That notice told all current residents that they would need to move when residents' leases ended unless the resident made a new application and was approved under our screening criteria.

Many residents responded with concerns that Management's screening criteria, occupancy standards, and timing for these changes would impose hardship on existing residents. We listened to your concerns and are responding with a plan to help.

We will be going forward with the kitchen renovation plans announced in our September 30, 2015 letter and other community-wide renovations. We will eventually require all residents that want to remain at the property to apply for, meet, and be approved under our screening criteria and to sign our standard lease paperwork. But we have decided that we will delay the implementation of these requirements and permit residents that had leases in place with the old ownership Crossroads at Penn LLC as of September 30, 2015, to stay longer at Concierge Apartments, subject these additional requirements and notices:

- We will permit residents and persons named on existing leases to remain at Concierge Apartments, LLC without being screened and approved under our new criteria until May 31, 2016.
- We will honor the terms of existing leases through the end of the lease term. For residents that are on month-to-month leases, this is notice that there will be a rent increase on January 1, 2016. For tenants that have leases that end between now and May 31, 2016 and elect to stay, you will receive a rent increase on the first month after your current lease ends.
- Because this letter is written to give all residents the same information, a separate notice with the amount and date of any rent increase that will apply to your apartment will be given.
- Management does not participate in the Section 8 program. Management will honor all lease terms for current Section 8 residents until those leases expire. To provide additional relief to Section 8 residents from the plan announced in our September 30, 2015 letter, we have contacted the Richfield HRA Section 8 office. For current residents on Section 8 with month-to-month leases, you may stay, if you choose, at your current rent until February 29, 2016. For Section 8 residents with month-to-month leases, or leases that end between now and February 29, 2016, these residents may also extend their occupancy through May 31, 2016. But your rent will increase as of March 1, 2016 (unless you have a term lease that extends beyond that date), to the market rate that is in effect for your apartment. Section 8 has agreed to approve and pay a

portion of this rental rate increase for the months of March through May 2016. Section 8 voucher holders that have leases where this option may be considered, will be given separate notice of the new rent that will apply to your apartment and the portion that has been approved to be paid by the Richfield HRA and what the tenant portion of rent will be.

- Management will still honor the option we gave all residents to vacate without fulfilling any lease term or two month notice period, by giving Management one full week written notice of a vacate date. Residents that vacate within one week of giving notice, and turn in all keys and access materials and completely vacate the apartment leaving it in a reasonably clean condition, will receive a refund of any rent paid for that month prorated to the date you vacate. Your security deposit, with interest as calculated by law, will be returned in the normal 21-day period.
- These special conditions will only apply to current residents that were named on a written lease with the former owners of Crossroads at Penn. All new applicants will be subject to new rents and will need to meet Management's screening criteria. Any resident seeking to transfer, or add an additional person to a lease, will be subject to current application and screening requirements.

Management has heard concerns about our credit and screening standards. Although these are standards that have been applied uniformly at other properties managed by Soderberg Apartment Specialists, we will be reviewing our screening and application requirements in an effort to make it possible for more current residents to remain at the property.

Please feel free to call the rental office if you have questions.

Sincerely yours,  
MANAGEMENT



Exhibit C



November 19, 2015

Erik Fallman  
Chief Operating Officer  
Soderburg Apartment Specialists  
6401 Camden Avenue North  
Brooklyn Center, MN 55430

RE : Concierge Apartments

Dear Mr. Falkman :

The undersigned organizations are working with a group of residents at the apartment complex in Richfield formerly known as the Crossroads Apartments, recently renamed the Concierge Apartments. We write out of concern that the plan to upgrade the building, dramatically increase rents, end involvement in Section 8 and perhaps the GRH program, tighten tenant screening, and reposition the complex in the market will have a devastating effect on affordable housing opportunities for tenants who have relied on the Crossroads Apartments. There are very few such deeply affordable projects of this size in the region; the ramifications from the loss of these resources will be felt for many years to come.

We understand that the owners have adjusted their plans in response to requests from the School District and others, and we appreciate the extensions that have been granted to May 2016. This accommodation is temporary, however, and does not change the fact that this source of deeply affordable housing will be lost to many current tenants and to untold numbers of tenants in the future who would look to this resource.

It is our understanding that Section 8 voucher holders have been told that their leases will not be renewed because management is choosing to no longer participate in the program. This policy decision may have a disproportionate impact on tenants based on race, familial status and disability. These are protected classes under federal and state fair housing laws. As I am sure you are aware, the U.S. Supreme Court held recently that policies that have a disparate effect on protected class populations may be deemed illegal under the Fair Housing Act.

It is also our understanding that Management will be raising the rents to a level making the apartments unaffordable to tenants in the GRH program. Prior to the change in ownership, approximately 100 units of the 698 units at Crossroads were occupied by GRH participants. Thus, the increase in rent could displace over 14% of Crossroads' population, all of whom have disabilities. This creates a disparate effect on a protected class under state and federal fair housing laws. In such circumstances, the party taking the action causing the disparate impact is under an obligation to only take such action if it is the least discriminatory means of accomplishing its business purpose.

We understand that business opportunities typically drive real estate decisions such as these. While we do not know the reasons the new owners are choosing to reposition this property in

570 Asbury Street, Suite 105 • St. Paul, MN 55104 • tel: 651.642.0102 • fax: 651.642.0051

*Dedicated to expanding and preserving the supply of affordable housing in Minnesota and nationwide*

the market, we can guess that a likely motivation is the desire to increase revenues from this asset in the form of significantly higher rents. Based on that assumption, we have a proposal.

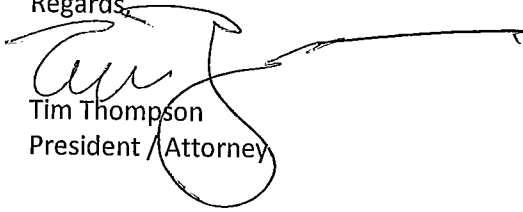
We have been in preliminary discussions with the City of Richfield and Hennepin County. What we have proposed is that one or more government entities would offer the owners of Concierge financial assistance to reduce rents on some agreed upon share of the units at Concierge. This assistance, in theory, could come in the form of an upfront lump sum payment or a series of ongoing payments. This provision of financial assistance would be structured so as to trigger eligibility under the 4d property tax break program for participating units, providing a tax break of 40% for those units. In return for the financial assistance and the tax break, the owners would be expected to commit to keep an agreed upon share of the Concierge units affordable at agreed upon levels, for an agreed upon period of time. The goal of this proposal would be to allow the owners to continue to realize their increased revenue projections while preserving a part of the Concierge as an ongoing affordable asset for the community. Ongoing involvement in the Section 8 Housing Choice Voucher Program and the GRH Program would be part of the discussion.

Please note that no commitments have been made by any governmental body at this point. We have proposed this idea to both city and county officials and have been told both entities are open to the concept. Before further work can be done to develop the idea and identify potential funding, we need to know whether the owners of Concierge are open to this idea.

Policymakers, public officials, community organizations and advocates have watched with growing concern the market pressures on the existing supply of affordable housing in our region as the economy heats up. Preserving the affordability of these assets is rising to the top of everyone's agenda. Given the nearly 700 units at the Concierge, we now face a threat of unprecedented size and scale. We believe and hope that the owners of the Concierge would like to be perceived as a good citizen in the community, sensitive to community needs. We believe this proposal would allow the Concierge to play that role, while still realizing its business goals.

We look forward to hearing from you in the near future.

Regards,



Tim Thompson  
President / Attorney

On behalf of the following organizations :

Housing Justice Center  
Mid-Minnesota Legal Assistance  
Minnesota Housing Partnership

Jewish Community Action  
HOME Line

Exhibit D

**HANBERY & TURNER, P.A.**

ATTORNEYS AT LAW

DONNA E. HANBERY  
ROBERT P. SCHWARTZ  
DOUGLASS E. TURNER  
CHRISTOPHER T. KALLA

33 SOUTH SIXTH STREET, SUITE 4160  
MINNEAPOLIS, MN 55402  
PHONE (612) 340-9855  
FAX (612) 340-9446

WRITER'S DIRECT DIAL NUMBER

November 30, 2015

**VIA EMAIL AND FIRST CLASS MAIL**

Tim Thompson, Esq.  
President/Senior Attorney  
Housing Justice Center  
570 Asbury Street, Suite 104  
St. Paul, MN 55104

**CONCIERGE APARTMENTS/SODERBERG APARTMENT SPECIALISTS, LLC  
OUR FILE NO. 5405-001**

Dear Timothy Thompson; Representatives of the MN Legal Aid, MN Housing Partnership, Jewish Community Action, and HomeLine:

Our firm is counsel to Soderberg Apartment Specialists, LLC and MSP Crossroads Apartments, the managing agent and owner of Concierge Apartments. I am writing to respond to the letter you sent to Erik Falkman, Chief Operating Officer of Soderberg Apartment Specialists dated November 19, 2015. In that letter you wrote that you were "working with a group of residents at the apartment complex" and suggested you were representing them, as well as the various organizations copied by email on your letter. Your letter expressed concern that the plan of the new ownership to "upgrade the building, dramatically increase rents, and end involvement in Section 8 and perhaps the GRH program, tighten tenant screening and reposition the complex in the market, will have devastating effect on affordable housing opportunities for tenants who relied upon the Crossroad Apartments." You note there are "very few such deeply affordable projects of this size in the region" and go on to suggest that my client's planned changes to end participation in Section 8, as well as announced rent increases, could be "legally challenged" as having a disparate impact upon tenants based upon "race, familial status, and disability."

You write: "In such circumstances, the party taking the action causing the disparate impact is under an obligation to only take such action if it is the least discriminatory means of accomplishing its business purpose." Your letter ends with a suggestion that our client should enter into some type of negotiation with one or more governmental entities (and perhaps all of the organizations copied on your letter) to explore some form of government-subsidized financial assistance, funded in part by meeting all of the eligibility requirements to receive the 4d property tax break program for participating units, where the owners "would be expected to commit to keep an agreed upon share of the Concierge units affordable at agreed upon levels, for an agreed upon period of time." You note "ongoing involvement in the Section 8 housing voucher program and the GRH program would

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be part of the discussion.” Your letter stresses that “no commitments have been made by any governmental body at this point,” but state you believe County and City officials are “open to the concept.” Your letter asks if the owner of Concierge is open to this idea.

Soderberg Apartment Specialists has a proven track record of acquiring residential rental properties that have often been identified as deeply troubled or problem properties, subject to license revocation or police concerns and properties that, while not yet targeted for City or police enforcement, have been identified as potential problem properties due to lack of needed capital improvements or investment. Our client’s track record of bringing about positive change in the rental properties it has acquired, renovated and upgraded, and has continued to hold subject to uniform policies of tenant selection, screening, and management, is a demonstration of how private investment and enterprise has benefitted communities. Although the properties in the Soderberg portfolio might not be characterized as “deeply affordable,” they have provided high quality, well maintained and well managed rental opportunities for applicants and residential renters of all classes and abilities. An examination of the actual properties owned and managed by Soderberg Apartment Specialists would show that my client’s business practices, including its rental rates and screening policies are non-discriminatory and provide high quality, affordable, non-subsidized or government-operated, housing opportunities.

In all of these acquisitions, Soderberg Apartment Specialists has made a substantial investment and, in turn, improved the property. With each acquisition, it has been common that the prior property owner was charging rents that were under-market and, in turn, “deeply affordable.” This affordability has often come at the expense of prior owners not investing in needed maintenance, modernization or management attention to conscientious screening and lease enforcement. After each acquisition, it has been necessary for our client to increase the rents at the acquired property to pay the costs of renovation and improvements, the higher debt service relating to the acquisition, and other operating expenses. But the majority of these upgraded properties continue to offer rents that are considered affordable. The resulting property is improved both in terms of exterior finishes, property condition, and compliance with licensing requirements relating to conduct at residential rental properties.

Our client recognized that its acquisition of the Crossroad Apartments, and aggressive plans to complete a community-wide renovation and upgrade of all common areas - and all individual apartments - would have a major impact upon all residents. Unlike other acquisitions where all residents with month-to-month leases were given short notice, or only one-month notice, that all residents without leases would need to vacate, our client’s initial notice gave all residents a full 90-days’ notice to pay current rents, gave Section 8 residents a full 5-month notice that participation in the program would end, and gave all residents notice that major renovations would be taking place in both occupied units and throughout the rental community. Understanding that some tenants would not choose to live in a “construction zone,” every resident was given a right to terminate the lease, without penalty, upon one-week written notice.

In the same manner as other Soderberg Apartment Specialist acquisitions, current residents were notified that lease renewal would require all residents to apply and meet the standard screening criteria that has been consistently in place at Soderberg properties. These criteria do include a Fair Housing statement and are based upon Soderberg's criteria that have been applied on a non-discriminatory basis at other Soderberg properties.

Shortly after the acquisition, our client entered into many good faith discussions and meetings with various stakeholders, including residents, faith-based organizations, City and County officials, and others. Numerous organizations and individuals purporting to represent individual residents or other organizations have reached out to my client with suggestions, proposals and requests. We would note that the requests and "suggestions" made are not always consistent. Fortunately, our client's ownership did not need to seek official approval from government entities or multiple non-profit boards or organizations to take action. Within weeks of the acquisition, our client timely responded to the multiple concerns and requests being sent its way with a plan to allow current residents to remain at the property through May 31, 2016. Because our client has significant financial obligations relating to the debt and investment to acquire the Concierge Apartments, and the substantial construction loan incurred to fund the planned improvements, all residents were informed of a needed rent increase for all residents without term leases. The rent increase was scheduled for after the holidays on January 1, 2016. Additional time was given to Section 8 residents for a rent increase effective March 1, 2016. Our client did negotiate with the Richfield HRA to approve and pay a portion of the increased rent.

It appears much of the concern in your letter is about the rent increase and whether or not the current rent increase and future rent increases that will be required to support the new investment in the property will meet eligibility requirements for the GRH program. You write: "Prior to the change in ownership, approximately 100 units of the 698 units at Crossroad were occupied by GRH participants. Thus, the increase in rent could displace over 14% of Crossroad's population, all of whom have disabilities." You conclude "this creates a disparate effect on a protected class under state and federal Fair Housing laws."

The threat of further action or litigation in your letter if our client does not enter into some type of "we can't commit, but we will talk to you" negotiation with governmental authorities to somehow preserve a substantial portion of my client's property in the past, so that it can continue to provide a "deeply affordable project" to the same residents, or same mix of classes served by the prior ownership, is not a proposal that is inviting or "of interest" to my client. Other than the suggestion that our client should "negotiate with you" to avoid litigation, there is no specific proposal outlined in your letter that will help my client meet its pressing and legitimate business needs.

My client staunchly believes that it is and will be a "good citizen" in the Richfield community, "sensitive to the community needs." We believe my client will best be able to accomplish these goals by remaining free to run its own business without being compelled to enter into some yet-to-be determined private and public partnership for a portion of the property.

The hint of litigation in this letter – as well as another action our client is facing with co-sponsors of this letter where any shut-off of utilities (even when that shut-off is being pursued with prior notice, under circumstances of favorable outdoor temperatures, and the work is being done to eliminate building-wide shut-offs in the future) – is distressing to our client. Our client's previous openness and willingness to discuss ways of meeting the needs and concerns of current residents or residents who will need to relocate, is not enhanced by threats of litigation.

Let me comment briefly upon the disparate impact claims and analysis set forth in your letter. First, my client's business practices and rental rates and screening criteria did not create the current demographics at Concierge Apartments. The reason this property is "deeply affordable" is due in large part to the fact that it has been held by the same ownership group for a substantial period of time and that a substantial investment in everything from modernizing basic facilities with water and gas service, to say nothing of modernization of interiors, has not taken place for decades. The suggestion in your letter that any new owner is somehow duty-bound under the Fair Housing laws, or a disparate impact analysis, to maintain the demographics of an existing property, regardless of the demographics of the general metropolitan area or the surrounding community, is not a fair or accurate interpretation of the regulation or case law on a discriminatory effect analysis.

Further, I question that our client's need and desire to increase rents to support its investment in the property, and the substantial renovations and modernizations needed and planned, would be considered a "practice." Our client's legitimate business need to raise rents to pay debt service for the investment to acquire the property and the loan to fund improvements is not simply one of many choices of business policies or practices. It is part of the economic equation that went into the initial purchase, funding and upgrade plans.

We do not believe the suggestion that our client should somehow partner or enter into a "to-be-determined," publicly subsidized program to help current residents or other stakeholders maintain the property, or a percentage of the property, as somehow affordable is a reasonable alternative "business practice" that will meet my client's legitimate business and financial needs.

Our client is a private business. The right to remain a private business, with the resulting rights and flexibility to make its own business and financial decisions, without adhering to government programs, government-imposed limits upon the rents it can charge, being subjected to government inspections, or potential to-be-determined government requirements that inevitably go hand-in-glove with any publicly funded program, is a fundamental right of a private property owner in Minnesota.

In *Edwards v Hopkin Plaza Limited Partnership*, 783 N.W.2d, 171 (Ct. App. MN 2010), the Minnesota Court of Appeals held that Minnesota law does not require property owners to participate in the Section 8 program. The *Edwards* case found that a refusal to participate in Section 8 was not discrimination based upon the tenant's status as a recipient of public assistance. Further, the court found that mandating the landlord's participation in Section 8 so that the disabled tenant could

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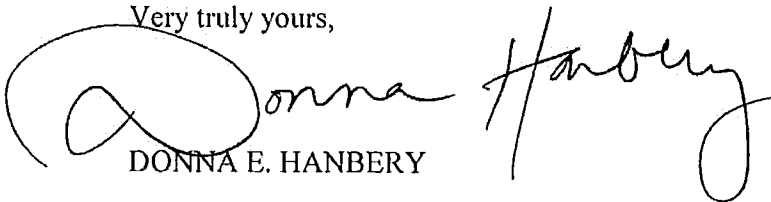
request to use his Section 8 housing voucher as a "reasonable accommodation" was not reasonable because it would "fundamentally alter the nature of respondent's policies."

The proposal you are making would fundamentally change my client's business. I do not believe any reasonable interpretation of state or federal Fair Housing laws can mandate a private business owner to enter into some type of subsidized, fundamental change of its business organization so that it can continue to serve the same demographic mix as the prior owner, and keep "deeply affordable" rents for an existing portion of the resident population.

In closing, our client believes that it has been listening and highly responsive to the often competing concerns raised by existing residents, public and private organizations. The threats of litigation or suggestion that what my client is doing is somehow illegal or wrongful is not helpful to the dialogue that has taken place to date.

Our client is a private business and wishes to remain a private business. Our client has a right and need to increase rents to be more reflective of the market rates of comparable properties in the area as well as the substantial investment our client is making and will continue to make in the property. Our client has done and will continue to do what it can to minimize the hardship and disruption for current residents. Our client is not, however, responsible for the disproportionately high dependence of low income residents to look to Richfield, or Crossroads, for "deeply affordable" housing opportunities. We note the City of Richfield – like Brooklyn Park and Brooklyn Center (a community where Soderberg Apartment Specialists maintains a private, well maintained and affordable, rental property) – has filed a complaint with the US Department of Housing and Urban Development alleging that affordable housing rules have pushed an excess of low income residents into their communities. Our client's practices did not cause the disproportionately high reliance of low income families, or GRH participants, to choose the property formerly known as Crossroads as their home. Our client is committed to working fairly with all residents, but the current rent increase and future increases that may take place are necessary and legitimate to my client's non-discriminatory, private business interests.

Very truly yours,



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