UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

Nick Hansen and Meghan Arquette, on behalf of themselves and all others similarly situated,

Plaintiffs,

v.

Renters Warehouse, LLC,

Defendant.

Case No. 0:24-cv-02670-KMM-DLM

AMENDED CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

Plaintiffs, Nick Hansen and Meghan Arquette, allege as follows, on behalf of themselves and all others similarly situated:

INTRODUCTION

1. This class action arises out of Defendant's egregious conduct and business practices and violations of Minnesota's security deposit statute (Minn. Stat. § 504B.178), the Minnesota Prevention of Consumer Fraud Act (Minn. Stat. §325F.69), and common law unjust enrichment.

2. Defendant Renters Warehouse, LLC ("Renters Warehouse") is a residential real estate management company originally founded in 2007 in Golden Valley,

Minnesota and a "landlord" as defined by Minn. Stat. 504.001 subd. 7 because it controls, either directly or indirectly, rental property.

3. In the over 15 years since its founding, Renters Warehouse has grown and spread to 40 different markets nationwide where it manages more than $4 billion of real estate comprised of over 17,000 residential homes.

4. In 2015, the Minnesota Department of Commerce issued Renters Warehouse a Cease and Desist Order in which it was fined $150,000.00 for failing to place tenant security deposits in real estate trust accounts and assessed residents charges in excess of the statutory maximum for checks returned for non-sufficient funds.

5. Though it assiduously avoids describing itself as a "landlord", Renters Warehouse markets itself and behaves in such a way that makes clear it meets the broad definition found within Minnesota statutes.

6. It describes the services it provides as "property and tenant services."

7. In the past five years, its affiliate, Renters Warehouse USA LLC, owned a license for the trademark "Professional Landlords" from Steven C. Scott.

8. As of the date of this Complaint, the URL www.professionallandlords.com redirects to www.renterswarehouse.com.

9. Renters Warehouse implicitly promises to owners of real property that it will do all the work necessary to get their property to rent and subsequently manage that property.

10. Those services include determining a competitive rent price, marketing the property, scheduling any showings, screening tenants, drafting the lease, collecting the rent,

and maintaining tenant communication.

11. In fact, it explicitly promises that only thing on a property owner's "to-do" list in renting their property is to contact Renters Warehouse.

12. Those services also extend to handling tenant security deposits.

13. Renters Warehouse is the party to whom tenants pay any security deposit.

14. Upon information and belief, Renters Warehouse retains said security deposits in a trust account.

15. Upon information and belief, Renters Warehouse will conduct walkthroughs of residential property before, during, and at the time of move-out to determine whether a tenants' use of rental property warrants the withholding of any portion of a tenant's security deposit.

16. Upon information and belief, Renters Warehouse will recommend to the owners of real property it manages the amounts that should be withheld from a security deposit depending on what "damage" it identifies as being the fault of a vacating tenant.

17. Upon information and belief, Renters Warehouse maintains an informal, if not formal, schedule denominating the amount that should be deducted from a tenant's security deposit based upon the item of damage it, or the owner, identifies.

18. Upon information and belief, Renters Warehouse maintains "move out coordinators" for these purposes.

JURISDICTION

19. Jurisdiction is proper under 28 U.S.C. § 1332(d)(2) because Plaintiffs seek thousands of dollars per class member in damages and statutory penalties for

wrongfully withholding security deposits, which, when aggregated among a proposed class number in the thousands, exceeds the $5,000,000 threshold for federal court jurisdiction. Further, Plaintiffs are citizens of a different state than that of the Defendant, providing jurisdiction under 28 U.S.C. § 1332(d)(2)(A). Therefore, both elements of diversity jurisdiction under the Class Action Fairness Act of 2005 ("CAFA") are present, and this Court has jurisdiction.

20. The Court has personal jurisdiction over Defendant because it resides in and transacts business in this district.

21. Venue is proper pursuant to 15 U.S.C. § 1391(b)(1) because Defendant resides in this district.

PARTIES

22. Plaintiffs are current residents of Chicago, Illinois. They were formerly tenants at 17330 50th Ave N, Plymouth Minnesota 55446 in Hennepin County, Minnesota, which is owned by third-party Verdhan Yedla Srinivasa Harsha.

23. Defendant Renters Warehouse, LLC (hereinafter "Defendant Renters Warehouse") is a Minnesota limited liability company with a principal place of business at 6101 Baker Road, Suite 200, Minnetonka, Minnesota 55345.

CLASS ALLEGATIONS

24. Plaintiffs seek to represent a class defined as follows: All tenants who previously resided at a property located within Minnesota that is or was managed by Defendant. The applicable class period shall be defined from six years prior to the date of the filing of this complaint.

25. Plaintiffs reserve the right to amend the above class definitions and add additional classes and subclasses as appropriate based on investigation, discovery, and the specific theories of liability.

26. The class is so numerous that joinder of all members is impracticable. While the precise number of class members has not been determined, it is currently believed to number into the hundreds. Plaintiffs believe that Defendant has access to data sufficient to identify all class members.

27. Plaintiffs believe, and on that basis alleges that Defendants' records would provide information as to the number and location of all class members.

28. There are questions of law and/or fact common to the class, as set forth below.

29. Plaintiffs' claims are typical of the claims of the class as a whole.

30. Plaintiffs will fairly and adequately represent the interest of the class. Plaintiffs know of no conflicts of interest among members of the class.

31. Plaintiffs are represented by attorneys who are qualified, experienced, and capable of conducting the litigation and adequately representing the interests of the entire class.

32. The prosecution of separate actions by or against individual members of the class would create a risk of:

   a. Inconsistent or varying adjudications with respect to individual members of the class which would establish incompatible standards of conduct for the party opposing the class; and

   b. Adjudications with respect to individual members of the class which would as a practical matter be dispositive of the interests of the other members not parties to the adjudication or substantially impair or impede their ability to protect their interests.

33. Defendant acted or refused to act on grounds generally applicable to the class, thereby making appropriate final injunctive relief or corresponding declaratory relief with respect to the class as a whole.

34. Questions of law or fact common to the members of the class predominate over any questions affecting only individual members and a class action is superior to other available methods for the fair and efficient adjudication of the controversy.

35. A class action is appropriate in this case pursuant to Rule 23 of the Minnesota Rules of Civil Procedure because:

  a. Defendant has 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 class include:

    i. Whether Defendant's actions described herein constitute false pretense, false promise, misrepresentation, misleading statement, or deceptive practice within the Minnesota Prevention of Consumer Fraud Act, Minn. Stat. § 325F.68–70; and

    ii. Whether Defendant's actions described herein violate the return of security deposits statute under Minn. Stat. § 504B.178.

  c. This lawsuit benefits the public at large because, among other reasons:

    i. Defendant has engaged in systematic and deceptive violations of state laws specifically enacted to protect the rights of consumers in Minnesota;

ii. Defendant manages approximately 15,000 houses for lease in 40 markets across the country.[1]

FACTUAL ALLEGATIONS

36. Minn. Stat. § 504B.178 governs residential security deposits and their return to vacating tenants. Specifically, that statute provides:

> *The landlord may withhold from the deposit only amounts reasonably necessary:*
>
> *(1) to remedy tenant defaults in the payment of rent or of other funds due to the landlord pursuant to an agreement;*
>
> *or*
>
> *(2) to restore the premises to their condition at the commencement of the tenancy, ordinary wear and tear excepted.*

Minn. Stat. § 504B.178 subd. 3(b)(2).

37. On July 16 and July 19, 2021, Plaintiffs signed a lease to rent a home at 17330 50th Ave N, Plymouth, Minnesota 55446 (the "Lease").

38. The Lease identifies Renters Warehouse as the "Property Manager." At all times relevant to this Complaint, Renters Warehouse was a "landlord" as defined by Minn. Stat. §504B.001 subd. 7.

39. The last page of the Lease, which is titled "Minnesota State Rider," and states the following:

> SECURITY DEPOSIT. Upon the execution of this lease and prior to receiving access to the Premises, Tenant shall deposit with Renters Warehouse the Security

[1] https://www.renterswarehouse.com/landing-page/about-us Visited website on 8/25/22

Deposit as described in Item 9 of the Basic Provisions, as security for any damage caused to the Premises during the term hereof. *If Renters Warehouse manages the Premises on behalf of Landlord, then Renters Warehouse shall retain the security deposit throughout the term of this Lease, unless otherwise agreed to between the Parties. Such deposit shall be returned to Tenant, less any set off for damages to the Premises upon the termination of this Lease, in accordance with Minnesota laws.*

(Emphasis Added).

40. Once the tenancy commenced, Plaintiffs continually had issues with the condition of the property. These issues finally culminated in Plaintiffs filing a rent escrow action in Hennepin County housing court titled *Hansen, et. al. v. Renters Warehouse, LLC, et. al.* , File No. 27-CV-HC-22-1068.

41. On or about April 12, 2022, Plaintiffs and the landlords, including Renters Warehouse, executed a settlement agreement whereby Plaintiffs' Lease was terminated effective April 30, 2022 and Plaintiffs would vacate the Premises.

42. According to the settlement agreement, Plaintiffs' security deposit of $3,595.00 would be handled in accordance with Minn. Stat. § 504B.178.

43. On or about April 30, 2022, Plaintiffs vacated the premises as promised in the settlement agreement.

44. On or about May 20, 2022, Defendant mailed to Plaintiffs a refund check for their security deposit along with a letter itemizing the amounts being withheld from their security as required by Minn. Stat. §504B.178.

45. Included among the charges were $50.00 to refill salt in the water softener, $42.64 to replace a filter in the humidifier, and $42.64 to replace the filter in the HVAC.

46. On their face, these deductions are obviously amounts incurred resulting from ordinary wear and tear from Plaintiffs residing at the Premises.

47. Such deductions and retention are prohibited by Minn. Stat. § 504B.178.

48. The retention of said amounts constitutes bad faith.

49. This is not the only instance of Defendant retaining amounts from security deposits that resulted from ordinary wear and tear.

50. For example, in 2018, a former tenant removed a conciliation court case against Renters Warehouse to Hennepin County District Court. *See Caper v. Renters Warehouse, et. al.*, File No. 27-CV-18-12035.

51. In that case, the tenant accused Renters Warehouse of unlawfully retaining portions of her security deposit.

52. Judge Kristin A. Siegesmund disallowed multiple deductions from the tenant's security deposit on the basis that they were either ordinary wear and tear or ordinary maintenance resulting from merely managing residential property.

53. Said deductions included a damaged outdoor fence, maintenance for gutters and lawn care, replacement of smoke and carbon detectors, and door knob replacement.

54. Defendant even assessed the tenant $30.00 to replace light bulbs, which the court disallowed.

55. Judge Siegesmund held that "attempting to push $1,750 of turnover costs on the tenant, when this bears no relation to damage, is an overreach by the landlord."

56. Upon information and belief, Defendant's practices are common across all tenants in Minnesota.

57. Upon information and belief, these practices are systematic and continue to present.

CAUSES OF ACTION
COUNT I.

BREACH OF MINNESOTA SECURITY DEPOSIT STATUTE
Minn. Stat. § 504B.161

58. Plaintiffs incorporate by reference all of the above paragraphs of this Complaint as though fully stated herein.

59. Defendant has systematically, continuously, and in bad faith breached the security depsit statute under Minn. Stat. § 504B.178 by unlawfully retaining amounts from tenants' security deposits that are otherwise constituted as ordinary wear and tear.

60. Plaintiff and other tenants were caused harm and actual damage by Defendant's breaches of this statute by having monies unlawfully withheld from their security deposits.

COUNT II.

MINNESOTA PRVENTION OF CONSUMER FRAUD ACT
Minn. Stat. §325F.69

61. Plaintiffs incorporate by reference all of the above paragraphs of this complaint as though fully stated herein.

62. Defendant has continuously engaged in false and misleading statements and deceptive practices. These misrepresentations were intended to cause Plaintiffs and other tenants to understand that they were responsible for amounts unlawfully withheld from their security deposits.

63. Defendant intended that others rely on its deceptive practices in connection with leasing of residential rental properties.

64. Defendant engaged in misconduct by inducing Plaintiffs and other tenants to rely on these deceptive practices when withholding amounts from their security deposits.

65. Plaintiffs and other tenants were caused harm and actual damages by Defendants' deceptive practices.

66. As a result of Defendant's violations of the MPCFA, Plaintiffs and other tenants are entitled to equitable and injunctive relief, monetary damages, attorneys' fees and expenses, and other appropriate relief pursuant to Minnesota's private attorney general statute and other applicable law. *See* Minn. Stat. §8.31, subd. 3a.

COUNT III.

UNJUST ENRICHMENT

67. Plaintiffs incorporate by reference all of the above paragraphs of this complaint as though fully stated herein.

68. The retention of amounts from security deposits that were the result of ordinary wear and tear conferred a substantial benefit on Defendant.

69. Defendant will be unjustly enriched if it is permitted to keep these moneys without having to repay them with interest.

70. Equity demands that Defendant repay the funds to Plaintiffs and other tenants with interest.

COUNT IV.

DECLARATORY RELIEF

71. Plaintiffs incorporate by reference all of the above paragraphs of this complaint as though fully stated herein.

72. An actual controversy has arisen and now exists between Plaintiffs and the class of tenants they represent and Defendant concerning their respective rights and duties. Plaintiffs

contend that Defendant's retained amounts from security deposits that are the result of ordinary wear and tear in violation of Minn. Stat. § 504B.178.

73. Plaintiffs on their behalf and on behalf of the Class they represent desire a judicial determination of their rights and duties and the Class members' rights and duties, and a declaration to the effect that Defendant's retention of amounts from their security deposits that result from ordinary wear and tear violates Minn. Stat. § 504B.178.

74. A judicial declaration would advise tenants of their rights and would advise Defendant of its duties to Plaintiffs and to Class members.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully prays that relief be granted as follows:

- Certifying the case as a class action;
- Certifying Plaintiffs are class representatives;
- Certifying Plaintiffs' counsel as class counsel;
- Finding Defendant liable for all of the claims asserted herein;
- Granting injunctive relief that disgorges from Defendant and provides restitution to the tenants of all amounts withheld from tenants' security deposits that are otherwise the result of ordinary wear and tear;
- Awarding damages to Plaintiffs and other tenants, including compensatory damages for amounts withheld from tenants' security deposits that are otherwise the result of ordinary wear and tear;
- Awarding punitive damages not to exceed $500.00 for each deposit that Defendant retained, or any portion thereof, in bad faith;
- Awarding punitive damages pursuant to Minn. Stat. § 549.20;

- Awarding costs and attorney fees; and
- Granting such other and further relief as may be just and proper.

Dated this September 4, 2024.

Respectfully submitted,

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ATTORNEYS FOR PLAINTIFFS

VERIFICATION OF COMPLAINT AND CERTIFICATION BY PLAINTIFF

I, Nick Hansen, declare under penalty of perjury, as provided for by the laws of the United States, 28 U.S.C. § 1746, that the following statements are true and correct:

1. I am the Plaintiff in this civil proceeding.
2. I have read the above-entitled civil Complaint prepared by my attorneys and I believe that all the facts contained in it are true, to the best of my knowledge, information, and belief, formed after reasonable inquiry.
3. I believe that this civil Complaint is well grounded in fact and warranted by existing law or by a good faith argument for the extension, modification, or reversal of existing law.
4. I believe that this civil Complaint is not interposed for any improper purpose, such as to harass any Defendant(s), cause unnecessary delay to any Defendant(s), or create a needless increase in the cost of litigation to any Defendant(s), named in the Complaint.
5. I have filed this civil Complaint in good faith and solely for the purposes set forth in it.

Dated this 4th day of September 2024.

/s/Nick Hansen
Nick Hansen

<u>VERIFICATION OF COMPLAINT AND CERTIFICATION BY PLAINTIFF</u>

I, Meghan Arquette, declare under penalty of perjury, as provided for by the laws of the United States, 28 U.S.C. § 1746, that the following statements are true and correct:

1. I am the Plaintiff in this civil proceeding.
2. I have read the above-entitled civil Complaint prepared by my attorneys and I believe that all the facts contained in it are true, to the best of my knowledge, information, and belief, formed after reasonable inquiry.
3. I believe that this civil Complaint is well grounded in fact and warranted by existing law or by a good faith argument for the extension, modification, or reversal of existing law.
4. I believe that this civil Complaint is not interposed for any improper purpose, such as to harass any Defendant(s), cause unnecessary delay to any Defendant(s), or create a needless increase in the cost of litigation to any Defendant(s), named in the Complaint.
5. I have filed this civil Complaint in good faith and solely for the purposes set forth in it.

Dated this 4th day of September 2024.

/s/Meghan Arquette
Meghan Arquette