

NO. A10-167

State of Minnesota
In Court of Appeals

Skyline Village Park Association,

Appellant,

vs.

Skyline Village L.P., Skyline Village LLC,
and Capital First Realty, Inc.

Respondents.

RESPONDENTS' BRIEF

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Statement of the Issues

1. Does Chapter 327C impose a reasonableness standard on manufactured home lot rent increases?

The district court held that Chapter 327C does not impose a reasonableness standard on manufactured home lot rent increases.

Apposite Authority: Minnesota Statutes Section 327C.03.
Minnesota Statutes Section 327C.06.
Minnesota Statutes Section 327C.10.

2. In the alternative, if a manufactured home lot rent increase is subject to a statutory reasonableness limitation, is the determination of reasonableness limited to comparison of market-comparable rents or rent increases?

The district court held, in the alternative, that determination of whether a manufactured home park lot rent is reasonable is limited to a comparison of market-comparable rents or rent increases.

Apposite Authority: Minn.R.Civ.P. 26
Minnesota Statutes Chapter 327C.

Statement of the Case and Facts

This appeal is taken from the an order of the district court, the Honorable Robert F. Carolan presiding, granting declaratory relief in favor of Respondents Skyline Village L.P., Skyline Village, LLC, and Capital First Realty, Inc., (collectively “Respondents” or “Skyline”).

Skyline Village is a manufactured home community located in Inver Grove Heights, Minnesota. In December 2007, in conformity with Minn. Stat. § 327C.06, Skyline Village’s management provided residents of Skyline Village with the required sixty (60) day notice of rent increase.¹ By the rent increase, the monthly lot rents at Skyline Village would increase \$25.00 effective March 1, 2008. This increase resulted in the monthly lot rents increasing from a range of \$472 - \$502 per month to a range of \$497 - \$527 per month.

Skyline Village Park Association (“Appellant” or “SVPA”) alleges it is a resident association. "Resident association" means “an organization that has the written permission of the owners of at least 51 percent of the manufactured homes in the park to represent them, and which is organized for the purpose of resolving matters relating to living conditions in the manufactured home park.” Minn. Stat. § 327C.01, Subd. 9.

¹ Minnesota Statutes Section 327C.06, Subd. 1 provides that “no increase in the amount of the periodic rental payment due from a resident shall be valid unless the park owner gives the resident 60 days' written notice of the increase.

In February 2008, Appellant served a summons and complaint on Skyline alleging that the announced monthly lot rent increase violated Minn. Stat. §327C.02 because it was “unreasonable”. Appellant identified no other statutory source for its claim that rent increases could not be “unreasonable.” Appellant also alleged violations of the Minnesota Manufactured Home Relocation Trust Fund program as set forth at Minn. Stat. § 462A.35, *et seq.* Appellant has stipulated to the dismissal of its Relocation Trust Fund claim and that claim is not before this Court.

In February 2008, Appellant moved the district court for a preliminary injunction enjoining Skyline from implementing the \$25.00 per month lot rent increase. The district court denied SVPA’s motion, finding that it made a weak showing on the merits and that it could not establish irreparable harm. Thereafter, on March 1, 2008, Skyline implemented the rent increase, and it remains in effect.

Skyline then moved the district court for an order of dismissal and/or summary judgment on the basis that Appellant had failed to join indispensable parties, the actual park residents, to this lawsuit and because Appellant’s claim for violation of the Trust Fund program was moot. The district court denied Skyline’s motion in all respects.

In August 2009, the parties presented cross-motions for declaratory relief to the district court. The district court granted Skyline’s request for relief in all respects and held that any requirement for “reasonableness” set forth in Chapter 327C is inapplicable to manufactured home park lot rent increases. (Add.1-10). The district court also held that

those statutory limitations on park rules set forth at Minn. Stat. §§ 327C.01, Subdivision 11, 327C.05, Subdivision 1, and 327C.01, Subdivision 8 are not applicable to monthly lot rent increases. *Id.* Finally, the district court held that even if rent increases were subject to a statutory “reasonableness” limitation, the evidence relative to such a determination would be limited to market comparable rent rates and rent increases.

This Court should affirm the district court in all respects. The explicit language, statutory scheme and legislative history of Chapter 327C unanimously establish that the Legislature did not intend rent increases to be held to a “reasonableness” standard. Further, even if monthly lot rent increases are held to a “reasonableness” standard, the evidence relative to such a determination would be limited to market comparable rent rates and rent increases.

Argument and Authorities

I. Standards of Review

A summary judgment based on application of a statute to undisputed facts is a legal determination that this Court reviews *de novo*. *Wiegel, et al., v. City of St. Paul, et al.*, 639 N.W.2d 378, 381 (Minn. 2002).

“When interpreting a statute, we first look to see whether the statute’s language, on its face, is clear or ambiguous. A statute is only ambiguous when the language therein is subject to more than one reasonable interpretation.” *Am. Family Ins. Group v. Schroedl*, 616 N.W.2d 273, 277 (Minn. 2000) (citation and quotations omitted). “A statute should be interpreted, whenever possible, to give effect to all of its provisions; ‘no word, phrase, or sentence should be deemed superfluous, void, or insignificant.’” *Id.* at 277 (quoting *Amaral v. St. Cloud Hosp.*, 598 N.W.2d 379, 384 (Minn. 1999)). And “[w]e are to read and construe a statute as a whole and must interpret each section in light of the surrounding sections to avoid conflicting interpretations.” *Id.*

To determine whether the district court has correctly applied Minnesota statutes, this Court focuses on the unambiguous text of the statutes in order to effectuate the intent of the Legislature. Minn. Stat. § 645.16 (2002).

“[T]he trial judge has wide discretion to issue discovery orders and, absent clear abuse of that discretion, normally its order with respect thereto will not be disturbed.” *Shetka v.*

Kueppers, Kueppers, Von Feldt & Salmen, 454 N.W.2d 916, 921 (Minn. 1990); *see also* *Minn. Twins P'ship v. State by Hatch*, 592 N.W.2d 847, 850 (Minn. 1999) (citing *Shetka*).

II. Minnesota Manufactured Home Lot Rent Increases Are Not Held To A Statutory Reasonableness Standard.

Appellant's case is premised entirely upon its mistaken belief that the statutory restrictions on a manufactured home community's rules also apply to rent increases. The explicit text of Chapter 327C, the scheme of that chapter, and the relevant legislative history all establish that rent increases are not subject to that statute's reasonable rule analysis. On the contrary, the restrictions on rent increases are set forth at Minn. Stat. §§ 327C.03, 327C.06, and 327C.12.

A. Manufactured Home Park Rent Increases Are Addressed In Minnesota Statutes Sections 327C.03, 327C.06 and 327C.12.

Both the plain language and statutory scheme of Chapter 327C make clear that rent increases are subject to the constraints set forth at Minn. Stat. §§ 327C.03, 327C.06, Subd. 3, and 327C.12.

Minnesota Statutes Section 327C.06 provides:

1. No rent increase is valid unless the park owner gives residents 60 days written notice of the increase.
2. No rent shall be valid if its purpose is to pay, in whole or in part, any civil or criminal penalty imposed on the park owner by a court or a government agency.
3. A park owner may increase monthly lot rent only twice in any 12 month period.

Id.

Minnesota Statutes Section 327C.03, Subd. 3 provides:

All periodic rental payments charged to residents by the park owner shall be uniform throughout the park, except that a higher rent may be charged to a particular resident due to the larger size or location of the lot, or the special services or facilities furnished by the park. A park owner may charge a reasonable fee for delinquent rent where the fee is provided for in the rental agreement. The fee shall be enforceable as part of the rent owed by the resident. No park owner shall charge to a resident any fee, whether as part of or in addition to the periodic rental payment, which is based on the number of persons residing or staying in the resident's home, the number or age of children residing or staying in the home, the number of guests staying in the home, the size of the home, the fact that the home is temporarily vacant or the type of personal property used or located in the home. The park owner may charge an additional fee for pets owned by the resident, but the fee may not exceed \$4 per pet per month. This subdivision does not prohibit a park owner from abating all or a portion of the rent of a particular resident with special needs.

Id.

Minnesota Statutes Section 327C.12 entitled "Retaliatory Conduct Prohibited"

provides:

A park owner may not increase rent, decrease services, alter an existing rental agreement or seek to recover possession or threaten such action in whole or in part as a penalty for a resident's:

- (a) good faith complaint to the park owner or to a government agency or official;
- (b) good faith attempt to exercise rights or remedies pursuant to state or federal law; or

- ©) joining and participating in the activities of a resident association as defined under section 327C.01, subdivision 9a.

Accordingly, the Legislature has imposed a comprehensive scheme including numerous restrictions on rent increases including the frequency, motivation, and manner of rent increase. This detailed statutory scheme is not ambiguous. Indeed, the completeness and detail with which the Legislature addressed rent leads one to conclude that had the Legislature wanted to address rent increase controls, it would have done so expressly.

The statutory scheme of Chapter 327C regarding defenses to eviction also supports the conclusion that rent increases are subject only to the strictures of Minn.Stat. §§ 327C.03, 327C.06 and 327C.12. Minn.Stat. § 327C.10 entitled “defenses to eviction” provides in relevant part:

Subdivision 1. Nonpayment of rent. In any action to recover possession for failure to pay rent, it shall be a defense that the sum allegedly due contains a charge which violates section 327C.03 . . .

Subd. 2. Nonpayment of rent increase. In any action to recover possession for failure to pay a rent increase, it shall be a defense that the park owner:

- (a) failed to comply with the provisions of section 327C.06, subdivision 1 or 3;
- (b) increased the rent in violation of section 327C.06, subdivision 2.

Subd. 3. Rule violations. In any action to recover possession for the violation of a park rule, it shall be a defense that the rule allegedly violated is unreasonable.

Subd. 4. Retaliatory conduct. In any action to recover possession it shall be a defense that the park owner has violated section 327C.12.

This statute provides persuasive evidence that rent increases need not be reasonable. If the Legislature had intended to limit rent increase in that fashion, it would presumably have included “unreasonableness” as a defense to eviction for failure to pay a rent increase. Instead, the text of Minn. Stat. § 327C.10 is consistent with the conclusion that monthly rent charges are constrained by Minn. Stat. § 327C.03 while monthly rent increases are constrained by Minn. Stat. §§ 327C.06 and 327C.12.

Both the explicit text and statutory scheme establish that the Legislature did not intend to limit rent increases to the reasonableness standard applicable to rules. Accordingly, this Court should affirm the judgment of the district court.

B. Appellant’s Reading Of Chapter 327C Is Flawed Because It Ignores The Legislature’s Explicit Distinction Between Rules and Rent.

Chapter 327C, at every juncture, expressly differentiates between rules and rent. Appellant, however, seeks to blur the distinction between rules and rent and, in so doing, to graft inapplicable statutory rule restrictions onto rent increases.

Specifically, Appellant contends that a rent increase must be a “reasonable rule” as defined by Minn. Stat. § 327C.01, Subd. 8; that the rent increase must not be a “substantial modification” of the lease as defined by Minn. Stat. § 327C.01, Subd. 11; and that the rent increase must not be an unreasonable course of conduct which is prohibited by Minn. Stat. § 327C.05, Subd. 1.

The statute that Appellant primarily relies upon (and the only statute referenced in Appellant's complaint regarding rent increases) is Minn. Stat. §327C.02. That statutory section provides that any reasonable rent increase made in compliance with section 327C.06 is not a substantial modification of the rental agreement and is not considered to be a rule for purposes of section 327C.01, subdivision 8. From this lone phrase, Appellant seeks to apply no less than three statutory provisions that control rule changes to a rent increase. Respondent will analyze each of these three statutory provisions in turn.

First, Appellant cites to Minn. Stat. § 327C.01, subd. 8 in support of its claim that Skyline Village's rent increase is not enforceable if it is not reasonable. This statutory section, however, is inapplicable to rent increases and applies only to determining the reasonableness of a rule. *All Parks Alliance for Change v. Uniprop Manufactured Housing Communities Income Fund*, 732 N.W.2d 189 (Minn. 2007) ("Section 327C.01, Subd. 8 defines a 'reasonable rule' as a park rule . . .").

Moreover, the text of this statutory section makes clear that it could not sensibly be applied to analyzing the reasonableness of a rent increase. Minn. Stat. § 327C.01, Subd. 8 provides: "Reasonable rule" means a park rule:

- (a) which is designed to promote the convenience, safety, or welfare of the residents, promote the good appearance and facilitate the efficient operation of the park, protect and preserve the park premises, or make a fair distribution of services and facilities;
- (b) which is reasonably related to the purpose for which it is adopted;
- (c) which is not retaliatory or unjustifiably discriminatory in nature; and

- (d) which is sufficiently explicit in prohibition, direction, or limitation of conduct to fairly inform the resident of what to do or not to do to comply. (Emphasis added).

Id.

Note that the definition is the conjunctive - meaning all four elements must be satisfied in order for a rule to be deemed “reasonable”. Leaving aside the awkwardness of trying to analyze a rent increase under subparagraph (a), one cannot overcome the dilemma of trying to analyze whether a rent increase is “sufficiently explicit in prohibition, direction, or limitation of conduct to fairly inform the resident of what to do or not to do to comply.” Yet Appellant contends that this section is applicable to the challenged rent increase. This Court should not construe Minn. Stat. § 327C.01, Subd. 8 to lead to absurd results, and applying the definition of “reasonable rule” would do just that.

Also, the fact that the four part, conjunctive definition of “reasonable rule” cannot be rationally applied to analyzing a rent increase is further evidence that this section was never intended to, and does not now, apply to a rent increase. Once the Court concludes that Minn. Stat. § 327C.01, Subd. 8 is in applicable to rent increases, it will also conclude (as set forth herein in greater detail) that the requested discovery at issue in the instant motion to compel is not reasonably calculated to lead to the discovery of admissible evidence.

Finally, Appellant seeks to invoke Minn.Stat. §327C.05 to argue that a rent increase is a “course of conduct” that must meet the standards of 327C.01, Subd. 8. Even a cursory

reading of Minn. Stat. §327C.05, however, makes clear that this statutory section has nothing to do with rent and exclusively concerns rules. First, the title of this section is “Rules”. Second, every subsection of this statutory section is also about “rules”. The word “rent” does not appear anywhere in this section. Because the explicit language of 327C.05 makes it abundantly clear that this statutory section addresses only rules, this Court should reject Appellant’s argument to the contrary.

C. Even If The Statutory Language Is Not Explicit, The Legislative History Of Chapter 327C Supports The District Court’s Decision.

Even if this Court determines that the text of Chapter 327 is not explicit, Chapter 327C’s legislative history makes clear that “rent control” was neither a concern in 1979 nor 1982 when Chapter 327C was amended.

“The object of all interpretation and construction of laws is to ascertain and effectuate the intention of the Legislature. Every law shall be construed, if possible, to give effect to all its provisions.” Minn. Stat. §645.16. “When the words of a law in their application to an existing situation are clear and free from all ambiguity, the letter of the law shall not be disregarded under the pretext of pursuing the spirit.” *Id.* “When the words of a law are not explicit, the intention of the Legislature may be ascertained by considering, among other matters:

- (1) the occasion and necessity for the law;
- (2) the circumstances under which it was enacted;

(3) the mischief to be remedied;

(4) the object to be attained”

Id.

The legislative history of Chapter 327C specifies that the 1979 amendments required all park rules to be reasonable, prohibited substantial modification of leases, clarified and strengthened the residents’ right to sell their home in the park and limited no-cause eviction. (App. Supp. Record, p. 13). The legislative history also provides that in 1982, the goal of the amendments was to further limit “no cause” eviction and to define the terms “reasonable” and “substantial modification.” *Id.*, p. 14. The substance of the 1982 amendments are described in the legislative history as well. With respect to rent, the only change was to require that all rents be uniform within a park. *Id.*, p. 15. As a result, the Legislature enacted Minn. Stat. § 327C.03 which, as cited above, provides that rents must generally be uniform.

Appellant, however, relied upon legislative history relating to Minn. Stat. §§ 327C.01, 02, and 05. None of these statutory sections restrain a park owner’s ability to raise rent. One can fairly surmise that if the Legislature was interested in implementing rent controls, one of the most contentious public policy issues of the time period, it would have

expressly done so.² Instead, Appellant seeks to invent legislative intent in a penumbra of statutory sections that all expressly relate to rules - not rent increases.

The only textual support that Appellant identifies in Chapter 327C is a single phrase in a single sentence located in Minn. Stat. § 327C.02. That sentence reads “A reasonable rent increase made in compliance with section Minn. Stat. § 327C.06 is not a substantial modification of the rental agreement and is not considered to be a rule for purposes of section 327C.01, subdivision 8.” Minn. Stat. § 327C.02, Subd. 2. Appellant interprets this sentence to also mean that an “unreasonable rent increase” (a phrase that does not appear anywhere in Chapter 327C) is both a “substantial modification” and a “rule”. This quantum leap is unsupported by any canon of statutory construction, case law, legislative history or other text

² For an example of legislative history that does indicate intent to control the monetary amount of manufactured home lot rent increases, see the City of Goleta, California’s rent control ordinance which provides:

A growing shortage of housing units resulting in a critically low vacancy rate and rapidly rising and exorbitant rents exploiting this shortage constitutes serious housing problems affecting a substantial portion of those Santa Barbara County residents who reside in rental housing.... Especially acute is the problem of low vacancy rates and rapidly rising and exorbitant rents in mobile home parks in the County of Santa Barbara. Because of such factors and the high cost of moving mobilehomes, ... the board of supervisors finds and declares it necessary to protect the owners and occupiers of mobilehomes from unreasonable rents while at the same time recognizing the need for mobile home park owners to receive a fair return on their investment and rent increases sufficient to cover their increased costs.

Guggenheim vs. City of Goleta, 582 F.3d 996, 1000 (9th Cir. 2009) (rehearing granted).

in Chapter 327C. Accordingly, this Court should reject Appellant's novel interpretation of Minn. Stat. § 327C.02.

Indeed, a proper reading of this sentence would give it the limited meaning intended by the Legislature: a park owner, when increasing lot rent, must comply with Minn. Stat. § 327C.06, and that a rent increase, because it is not a rule, is not subject to the restrictions set forth at Minn. Stat. §§ 327C.01, Subd. 8 and 327C.01, Subd. 11. This reading is consistent with the applicable canons of statutory construction, relevant legislative history and the text of every pertinent section of Chapter 327C.

Appellant's reading of this sentence, however, attempts to find legislatively imposed rent control in a single word. One would expect that such a dramatic public policy shift would have made some appearance in the legislative history or somewhere else in Chapter 327C. At the very least, one would expect that a "reasonableness" requirement would appear in Minn. Stat. § 327C.06 - the statutory section entitled "rent increase." Because there is no mention of limiting rent increases in this manner anywhere in Chapter 327C, this Court should reject Appellant's textual argument.

D. The Case Law And Prior Court Orders Do Not Support Appellant's Position.

Appellant cites a district court order and an unpublished Court of Appeals decision for the proposition that Appellant may challenge the reasonableness of the rent increase. The district court order, issued in the case of *Shady Acres Resident Association vs. Winjum*, is not

precedential. Further, that order does not indicate what arguments were raised by the park owners in that case or considered by the court. Accordingly, it is not possible to glean any useful substance from the 1½ page district court order submitted by Appellant.

The second case, *Schaff, et al., vs. Hometown America, LLC*, 2005 WL 1545525 (Minn.App. July 5, 2005), an unpublished Court of Appeals decision, actually supports Respondents' reading of Chapter 327C. In *Schaff*, this Court analyzed the challenged rent increase in order to determine whether it was either retaliatory (in violation of Minn.Stat. §327C.012) or implemented for the purpose of paying a civil or criminal penalty (in violation of Minn.Stat. §327C.06). *Schaff*, p. 5. Importantly, the plaintiffs in *Schaff* did not allege that the rent increase was unreasonable.

In fact, the *Schaff* Court makes no mention at all of Minn.Stat. §327C.02 in the "DECISION" section of its opinion. As such, one can only fairly read the *Schaff* decision to hold that the challenged rent increase was neither retaliatory nor imposed to pay a penalty. Accordingly, the *Schaff* opinion is consistent with Appellant's position here.

Finally, Appellant attempts to rely upon the orders of the district court entered in this case denying Appellant's motion for a temporary injunction and denying Skyline's subsequent motion for summary judgment. Neither of those motions directly raised the issue of whether Chapter 327C required rents to be reasonable. Further, the law of the case doctrine generally refers to post-appellate proceedings. The doctrine of law of the case is a discretionary doctrine developed by the appellate courts. It is ordinarily applied where the

appellate court has ruled on a legal issue. See *Mattson v. Underwriters at Lloyds of London*, 414 N.W.2d 717, 719-20 (Minn. 1987). “The doctrine is normally not applied by a trial court to its own prior decision.” *Loo v. Loo*, 520 N.W.2d 740, 744 (Minn. 1994).

Further, in the district court before Judge Carolan, Appellant never raised the argument that the prior district court orders regarding the motions for injunctive relief and summary judgment represented the law of the case on whether Chapter 327C required rents to be reasonable. This Court has long held that it will not address arguments advanced for the first time on appeal. “A reviewing court must generally consider ‘only those issues that the record shows were presented and considered by the trial court in deciding the matter before it.’ ” *Thiele v. Stich*, 425 N.W.2d 580, 582 (Minn. 1988); *State v. Kremer*, 239 N.W.2d 476, 478 (Minn. 1976) (holding the court will not decide issues raised for the first time on appeal.).

III. The Determination Of Whether A Manufactured Home Park Lot Rent Is Reasonable Is Limited To A Comparison Of Market-Comparable Rents And Rent Increases.

If this Court finds that Minn.Stat. § 327C.02 imposes a reasonableness requirement on manufactured home lot rent increases, then this Court must consider whether the district court abused its discretion in limiting discovery to market-comparable rents or rent increases.

Here, it is difficult to determine if the district court abused its discretion because the order contains no detailed analysis of the court’s discovery ruling. One can reasonably surmise from the district court’s ruling that the expansion of statutory criteria for rules to rent

increases was found to be generally offensive to the Legislature's intent. This Court should therefore either affirm the district court's discovery ruling or, in the alternative, remand this portion of the case to the district court for further findings.

Conclusion

Appellant's appeal is premised upon a flawed reading of Chapter 327C. Specifically, Appellant is attempting to have those restrictions that apply to manufactured home community rules also applied to rent increases. In so doing, Appellant has fashioned from nearly whole cloth a statutory rent control scheme that appears nowhere in the Legislative history or the text of the statute. The sole textual support for Appellant's entire case is the inclusion of the phrase "reasonable rent" in Minn. Stat. § 327C.02. Skyline submits that had the Legislature intended to effectuate a limitation on rent other than those set forth in Minn. Stat. §§ 327C.03, 327C.06 and 327C.12, it would have done so clearly.

By comparison, the City of Goleta's rent control ordinance serves as an illustration of what a legislative pronouncement on rent control actually looks like. In this case, Appellant would have the Court find that the Minnesota Legislature similarly intended rent control but neglected to include any definitions or statutory guide posts of any kind addressing the issue. Chapter 327C provides that the Legislature intended rules to be reasonable and intended that rules could not be a substantial modification of a lease agreement. Similarly, the Legislature intended that rent must be uniform, raised only twice

per 12 months, not retaliatory and not for the purpose of paying a civil penalty. Any other reading of Chapter 327C creates new law unintended by the Legislature.

Dated: March 29, 2010.

Respectfully submitted,



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Certification of Brief Length

I hereby certify that this brief conforms to the requirements of Minn.R.Civ.App.P. 132.01, subds. 1 and 3, for a brief produced with a proportional font. The length of this brief is 4,987 words. This brief was prepared using WordPerfect 10.

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