

UPDATE AND FAQs ON RECENT MINNESOTA LEGISLATION

From: SJJ Law

Date: March 26, 2025

Re: Proposed Minnesota HOA Legislation

I. INTRODUCTION.

The Minnesota legislature is currently working on two nearly identical bills affecting homeowner associations (“HOAs”) and common-interest-communities (“CICs”). The House bill is HR 1268 and Senate version is SF 1750 (the “Bills”).

While this legislation has some positive aspects, in its current form it contains many provisions that will have an immediate, drastic, and negative impact on the estimated 1.5 million Minnesotans who live in an HOA.

II. WHERE DID THESE BILLS COME FROM?

In 2024, the Minnesota legislature passed a bill that established an “HOA Working Group” which was directed to “study the prevalence and impact of common interest communities (CICs) and homeowners’ associations (HOAs) in Minnesota and how the existing laws regulating CICs and HOAs help homeowners and tenants access safe and affordable housing.”

The working group consisted of twenty individuals, representing various stakeholders within the industry. It held numerous meetings, both in person and via Zoom, and took testimony from homeowners and subject matter experts alike. In February of 2025, it issued a final report to the legislature which included 41 legislative recommendations. The Bills are based on those recommendations.

III. WHO WROTE THESE BILLS?

There are four primary authors of these Bills—two in the House and two in the Senate. Representative Bahner (DFL, House) is the main legislator driving these Bills. As they progress through the various legislative committees, it is likely that more legislators will be added as authors. A complete list of the legislators who have, as of March 21, 2025, added their names as authors is listed below.

IV. WHAT WILL HAPPEN NEXT WITH THESE BILLS?

In order to become a law, both the Minnesota House and the Minnesota Senate have to vote to pass the Bills and a final, consolidated bill must then be signed by Governor Walz. In both

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the House and the Senate, the Bills will be heard by various committees, likely amended in those committees, and then eventually sent to the floors of both the House and Senate for an up or down vote.

The House version of the bill was heard by the Housing Finance and Policy Committee in early March and then referred to the Commerce and Finance Policy Committee. That committee has not yet scheduled a hearing on the bill, but it will likely happen soon.

The Senate version of the bill was heard by the Housing & Homelessness Prevention Committee in mid-March and was referred to the Judiciary and Public Safety Committee. That committee has not yet scheduled a hearing on the bill, but it will likely happen soon.

The Minnesota legislature has a number of deadlines it is required to meet with respect to passing legislation. This year, the House and Senate leadership have agreed that by 5PM on April 4, 2025, Bills must be passed favorably in their committee of origin. The last day that the legislature can meet in 2025 is May 19, 2025.

V. WILL THE BILLS PASS AND IF SO, WHEN WILL IT BE BECOME LAW?

While the Minnesota legislature is a bit chaotic this session, this legislation is likely to pass because it has bipartisan support and does not have any government funding tied to it. If it passes, and is signed by Governor Walz, the Bills will likely become effective in 2026.

VI. WHAT DO THE BILLS SAY?

The legislation itself amends the Minnesota Common Interest Ownership Act ("MCIOA"), Minn. Stat. § 515B. The language of the Bills, in its current form, is over 50 pages long and can be found using the following links:

House: <https://sjj.tiny.us/hr1268>

Senate: <https://sjj.tiny.us/sf1750>

While these Bills will likely be amended, its current form contains the following provisions:

Powers and Duties of Associations

Late Fees

Proposed Statutory Language

515B.3-102 POWERS AND DUTIES OF UNIT OWNERS' ASSOCIATION

(a)(11): An association may not impose a late fee in excess of \$15, or for a special assessment, an amount greater than five percent of the amount owed or more than \$100, whichever is lower.

Plain English

Late fees would be capped at \$15.00 (by law), except for special assessments (for some reason).

Potential Concerns

- Setting an arbitrary late fee limit of \$15.00 seems sort of arbitrary and unnecessary, while failing to account for the fact that different associations may have very different assessment obligations (i.e., a \$15.00 fine for a \$100.00 monthly assessment hits a bit differently than for a \$500.00 monthly assessment).
- Why special assessments are singled out for special treatment here, I have no idea.

Fee Schedule

Proposed Statutory Language

515B.3-102 POWERS AND DUTIES OF UNIT OWNERS' ASSOCIATION

(a)(10): The association must compile and provide to every unit owner a schedule of the fees and charges that may be imposed.

Plain English

Associations must prepare a fee/charge schedule and provide it to all owners.

Potential Concerns

This may create a minor administrative burden on associations that do not currently have such a schedule available, but otherwise this seems harmless enough.

Fine Schedule

Proposed Statutory Language

515B.3-102 POWERS AND DUTIES OF UNIT OWNERS' ASSOCIATION

(a)(15) (c): An association must adopt and provide to every unit owner a policy regarding fines that includes a list of the violations for which a fine may be imposed and a schedule of fines for those violations.

When a violation can be cured without causing damage to property or to another, the association must provide the unit owner with a reasonable time to correct the violation before a fine may be imposed.

Plain English

Associations need to adopt fining policies for transparency purposes, and must provide owners with a reasonable time to correct a violation prior to fining.

Potential Concerns

- This may create a minor administrative burden on associations that do not currently have such a policy available, but otherwise this seems harmless enough (such policies are generally good practice).
- Associations already are required to provide an owner a chance to cure violations prior to fining under MCIOA.

Fine Caps

Proposed Statutory Language

515B.3-102 POWERS AND DUTIES OF UNIT OWNERS' ASSOCIATION

(a)(15) (c): A fine must be commensurate with the violation and must not exceed \$100 for a single violation, except when the violation is a repeated, willful, and knowing violation and the owner has been given notice that the fine will be increased due to the repeated nature of the violation, then the fine may be up to \$300. When combined with additional fines for an ongoing violation, late fees, and other allowable charges, the fine must not exceed \$2,500 in total for the violation.

Plain English

Fines are capped at \$100 (or \$300 for recurring violations), with a “lifetime limit” of \$2,500.

Potential Concerns

- This is...not great.
- Fines are a useful tool in an association's belt to police minor infractions that do not merit significant attorney involvement.
- However, capping these will effectively allow homeowners to buy their way out of compliance.
 - *Example:* An association has a restriction on leasing (e.g., a rental cap or a no-Airbnb policy) that a homeowner would like to ignore. They start violating the covenant. When notified by the association that this is not OK, they continue ignoring them and pay the \$2,500 fine to rent their unit as long as they please.
- **Increased Costs:** When fining will no longer suffice to solve these problems, the association's remedy will be to sue for injunctive relief, which will be much more expensive. Associations will need to either give up on enforce certain covenants or be prepared to spent significantly more resources to litigate these matters.

No Charging for (Certain) Questions

Proposed Statutory Language

515B.3-102 POWERS AND DUTIES OF UNIT OWNERS' ASSOCIATION

(a)(12): the association may not impose any charges, including attorney fees, to respond to a question about any governing document or any aspect of the operation or management of the common interest community posed by a unit owner to the association.

Plain English

Associations may not charge back costs relating to responding to questions from unit owners.

Potential Concerns

- For good-faith questions about an association's operations, associations should already not be charging back homeowners to address these.
- **Increased Costs for Homeowners:** However, for bad-faith questions that require association resources to address (e.g., a homeowner who is in collections for not paying their dues asking "why should I have to pay assessments if (i) I don't like my Board), (ii) my lawn isn't how I like it, or (iii) my neighbor is mean"), all other unit owners will need to cover these costs.

Requirements for Charging for (Other) Questions

Proposed Statutory Language

515B.3-125 LEGAL FEES; NOTICE REQUIRED.

- Prior to referring a unit owner's inquiry to an attorney, the board must provide a notice to the unit owner with the following information:
 - a statement that the board plans to refer the matter at issue to an attorney;
 - the name of the person responsible for payment of any resulting legal fees; and
 - an estimate of the legal fees the attorney may charge or has charged for similar work.
- The board must provide the notification under subsection (a) at no cost to the unit owner.
- The board must provide to a unit owner an itemized invoice for any legal fees charged to the unit owner detailing the attorney's rate, the time the attorney spent on the matter, the specific services the attorney provided, and the date or dates of service.

Plain English

For questions other than those relating to “any governing document or any aspect of the operation or management of the common interest community” where an association needs the assistance of an attorney to address, the association needs to follow certain procedural requirements (although what those questions might be, I am not sure).

Potential Concerns

- Unclear to me how this provision is even relevant so long as the preceding section remains in effect.

Rules and Regulations

Proposed Statutory Language

515B.3-102 POWERS AND DUTIES OF UNIT OWNERS' ASSOCIATION

(g): Rules and regulations adopted must not be arbitrary or capricious and must otherwise be reasonable. An association must give unit owners 60 days' advance notice of a board's intention to adopt a new rule, or amend or revoke a rule. A rule change must be approved at a board meeting, and an association must give unit owners the opportunity to comment on the proposed rule change at the meeting at which the change is considered.

Plain English

Rules must be reasonable; homeowners get at least 60 days advance notice, and rules must be adopted in a transparent fashion with opportunity for homeowner comment.

Potential Concerns

- 60 days advance notice seems like a stretch for me, but otherwise this seems fine.

Amending Bylaws

Proposed Statutory Language

515B.3-106 BYLAWS; ANNUAL REPORT

(a): Any amendment, addition, or repeal of the bylaws must be approved at the annual meeting, and an association must give unit owners the opportunity to comment on the proposed change at the meeting at which the change is considered..

Plain English

Makes it more difficult for associations to amend Bylaws.

Potential Concerns

- Opportunity for homeowners to comment on proposed changes is perfectly reasonable, but requiring Bylaws to be amended only at annual meetings (not special meetings? Not via mail?) is odd and will make it substantially more difficult to update this document.
- Also, why is this Bylaw-specific?

(More) Open Meetings

Proposed Statutory Language

515B.3-103 BOARD OF DIRECTORS, OFFICERS AND DECLARANT CONTROL.

(g): Prior to the board taking action on an agenda item, any unit owner or any person designated in writing by a member as the member's representative must be permitted to attend and speak during any meeting on any subject that is on the meeting agenda. A time must be designated by the board at each meeting for any unit owner, or the unit owner's designee, to raise any issue that is not on the meeting agenda and that is related to the association or the common interest community. The board may place a reasonable limit on the time a member is allowed to speak. Meetings may occur virtually but an association must

provide access to all members to assert their right under this section, including technical assistance to participate in virtual meetings and electronic voting.

Plain English

Homeowners are no longer just permitted to attend all meetings of the Board – they must be available to speak on “any issue that is related to the association or the common interest community”. Associations have a duty to “provide access” to all members for these purposes, including technical assistance.

Potential Concerns

- While I can understand the intent of encouraging homeowner participation in meetings, in practice this may end up derailing meetings for some associations (although the ability to limit speaking time is helpful for these purposes).
- Duty to provide “technical assistance” is very problematic. Does this mean a duty to teach a homeowner how to use a computer? To *provide them with* a computer?

Architectural Review

Proposed Statutory Language

515B.3-107 UPKEEP OF COMMON INTEREST COMMUNITY

(e): In exercising any authority granted to it under the declaration to approve or disapprove proposed changes to a unit or limited common element, the association's board shall provide a fair, reasonable, and expeditious procedure for making any decision. The procedure shall be set forth in the association's governing documents. The procedures shall state the maximum time for issuance of any decision on a proposal or a request for consideration. At a minimum, the association's board must make a decision within 90 days after the initial submission of the proposal or submission of any additional information or changes to the proposal requested by the association's board in response to the initial submission. A decision must be in writing, must be made in good faith, and must not be unreasonable, arbitrary, or capricious. If the proposal is disapproved, the decision must include both an explanation of why the proposal is disapproved and a description of the procedure for reconsideration of the decision by the association's board.

Plain English

Requires associations to adopt reasonable, good-faith architectural procedures and practices.

Potential Concerns

- While this may require some (many?) associations to update their governing documents to ensure compliance, overall these are good, reasonable practices we would counsel any association to adopt.

Budget

Proposed Statutory Language

515B.3-115 ASSESSMENTS FOR COMMON EXPENSES

(c): The association shall provide each unit owner with a copy of the proposed annual budget prior to the annual meeting at which the budget is to be approved and allow unit owners to provide input on the budget prior to or during the meeting.

Plain English

Essentially, requires associations to let homeowners provide input on the budget either at the annual meeting or leading up to it.

Potential Concerns

- No issues with this.

Restrictions on Enforcement

“Meet and Confer”

Proposed Statutory Language

515B.3-122 REQUIREMENT TO MEET AND CONFER.

- **Enforcement action defined.** For the purposes of this section, "enforcement action" means any attempt by an association, management company, or an attorney or other person on behalf of the association or management company, to collect a disputed assessment, fine, late fee, or other charge, or a civil action or proceeding, other than a cross-complaint, involving rights, duties, or liabilities under this chapter or any other law, or the governing documents of a common interest community or association, including the foreclosure of an association's lien pursuant to section 515B.3-116.
- **Meet and confer process.** Prior to an association taking any enforcement action, the association and the unit owner must engage in a meet and confer process in an effort to resolve any dispute between the association and the unit owner involving their respective rights, duties, or liabilities under this chapter or any other section of law, or under the governing documents of the common interest community or association.

The association's board must designate a member of the board to meet and confer with the unit owner. The parties must meet as soon as practicable at a mutually convenient time and place. At the meeting, each party must be given reasonable time to present their positions and must confer in good faith to seek a resolution to the dispute. If the meet and confer process results in the resolution of the dispute, the resolution must be in writing and signed by both a board member and the unit owner. The signed agreement binds the parties and is judicially enforceable. A unit owner must not be charged any fees, including any attorney fees, to participate in the meet and confer process.

515B.3-102 POWERS AND DUTIES OF UNIT OWNERS' ASSOCIATION

(h): Each association must adopt procedures for dispute resolution and the meet and confer process as provided under section 515B.3-122.

Plain English

Before an association can try to collect a disputed charge, proceed with legal action, or foreclose, a designated member of the board must meet with the owner to “confer in good faith”.

Potential Concerns

- Not great.
- Seems ripe for potential conflict.
- Arguably puts directors in harms way. Unfair to directors; likely will have a chilling effect on willingness to participate on boards.
- Unclear how the legislature expects (non-attorney?) directors to whip up judicially enforceable signed agreements, which is pretty clearly the unauthorized practice of law (boards need to obtain malpractice insurance?).

Prohibition on Sale/Assignment of Debts

Proposed Statutory Language

515B.3-102 POWERS AND DUTIES OF UNIT OWNERS' ASSOCIATION

(i): Associations must not sell or assign any debt owed by a unit owner.

Plain English

No selling or assigning assessment debts/liabilities.

Potential Concerns

- Again, not great.
- **Banking/Lending:** Banks make loans to associations for all sorts of things (including badly needed repairs), and their collateral is the assignment of association dues (i.e., a debt owed by a unit owner). As drafted, this appears to effectively block associations from borrowing money.
- In addition, it torpedoed an important tool available to associations in the event that a mortgage holder forecloses on a homeowner that is delinquent on their assessments. If an association cannot sell liens to third-party investors in that scenario, this will lead to more associations needing to sue (former) homeowners for personal money judgments, which will increase costs for homeowners.

Parking

Proposed Statutory Language

515B.3-107 UPKEEP OF COMMON INTEREST COMMUNITY

(f) Unless expressly provided for in the declaration, the association must not enforce any restriction on parking of a personal vehicle on a public street or public road for which the state or local government has assumed responsibility for maintenance and repairs, unless the authority to regulate such parking has been expressly delegated to the association by the state or local government under terms prescribing the manner in which the association may exercise that authority. Any such delegation is valid for a period not to exceed five years, at which time the association must reapply to the delegating entity. As used in this subsection, "personal vehicle" means an automobile with a gross weight of less than 26,001 pounds that is used for personal pleasure, travel, or commuting to and from a place of work, and does not include a motor home or self-propelled recreational vehicle, or an automobile that is otherwise used primarily in connection with any commercial endeavor or business.

(g) A unit owner or resident may park a work vehicle, including but not limited to a van, pickup truck, small truck, ambulance, law enforcement vehicle, utility company vehicle, or emergency response vehicle, on the unit owner's property or curtilage, provided the vehicle's length does not encroach on another unit owner's property or interfere with the association's ability to maintain roads or common elements. An association must not prohibit or restrict this parking.

Plain English

Legislature is fed up with associations attempt to restrict parking on (1) public streets, and (2) unit owners' driveways.

Potential Concerns

- I am aware that some Boards feel strong about these restrictions from an aesthetic perspective, but otherwise I do not anticipate this negatively affecting many associations in a significant fashion.

Attorney's Fees

Proposed Statutory Language

515B.3-115 ASSESSMENTS FOR COMMON EXPENSES

(e)(4) reasonable attorney fees and costs incurred by the association in connection with (i) the collection of assessments against a unit owner, and (ii) the enforcement of this chapter, the articles, bylaws, declaration, or rules and regulations against a unit owner, may be assessed against the unit owner's unit, provided that the attorney fees and costs for enforcement and collection may not exceed \$1,500 and no fees or costs may be assessed if the association uses a collection agency as defined in section 332.31 if the fees of the collection agency are contingent on the amount collected

Plain English

Associations can assess back attorney's fees and costs incurred by the association in connection with (1) collection and (2) enforcement of the law/governing documents up to \$1,500. Association must make alternative arrangements for any other costs.

Potential Concerns

- **Cost to Homeowners:** In practice, this will mean that homeowners that are paying their dues on time and/or not violating their governing documents will have to pay a substantial portion of the association's enforcement fees.
- Feels fundamentally unfair.

Payment Plans

Proposed Statutory Language

515B.3-115 ASSESSMENTS FOR COMMON EXPENSES

(k) An association must offer a unit owner a reasonable payment agreement and take into consideration the financial circumstances of the unit owner.

Plain English

Associations are legally required to accommodate payment plans that factor into an owner's "financial circumstances."

Potential Concerns

- This seems well intentioned, but what does “take into consideration the financial circumstances of the unit owner” mean? If a homeowner cannot afford the property, does the association have a duty to provide them with a two year payment plan? Five years? Ten?

Foreclosure

Proposed Statutory Language

515B.3-116 LIEN FOR ASSESSMENTS

(h) In no case may an association's lien be foreclosed for unpaid fines. Not including attorney fees, when unpaid fees, charges, and late charges are properly issued pursuant to section 515B.3-102, subsection (a), paragraphs (10), (11), and (12), an association may begin a foreclosure when the total amount owed is \$5,000 or more and that amount has been outstanding for 180 days or more.

Plain English

Associations cannot foreclose on fines, and can only start foreclosure when homeowners rack up \$5,000+ of principal and sit on that amount for 180+ days.

Potential Concerns

- Legislature really, really, really does not like HOA foreclosures.
- In practice, associations will be suing homeowners constantly in order to collect past-due assessments in this universe.
- This will significantly increase the associations' (1) costs of collections (particularly as the association will be limited in how it can assess these fees back, forcing the other homeowners to foot the bill), and (2) time required in order to recover past-due assessments, which will be detrimental to the communities' fiscal health.

“Retaliation”

Proposed Statutory Language

515B.4-116 RIGHTS OF ACTION; RETALIATION PROHIBITED

(e) An association may not retaliate against a unit owner for asserting any right the unit owner has under this chapter or other law. For purposes of this subsection, "asserting any rights" includes but is not limited to filing an action in district court to enforce a right or remedy provided by this chapter, other law, or the declaration, bylaws, rules, or regulations of the association; or by filing a complaint with local authorities regarding a violation of a health, safety, housing, or building code or ordinance. An association may not decrease services or impose a fine or other penalty or charge legal fees to a unit owner, nor may the association make the resumption of services or removal of the fine, penalty, or legal fees contingent on a unit owner withdrawing an action in district court or complaint with local authorities.

Plain English

Don't...retaliate? Language as it stands is unclear.

Potential Concerns

- Clear as mud, but as it stands I read this to mean that associations cannot really settle lawsuits with homeowners, but will need to litigate all disputes to the “scorched earth” finale in order to have a chance at recovering its attorney’s fees (which will increase costs for homeowners).

Homeowner Veto Authority

Rules and Regulations

Proposed Statutory Language

515B.3-102 POWERS AND DUTIES OF UNIT OWNERS' ASSOCIATION

(g): Any rule in effect may be revoked by a majority vote of the unit owners at a board meeting, where unit owners may vote in person, by a written statement signed and dated by the unit owner prior to the meeting at which revocation is considered, or by proxy.

Plain English

Homeowners can wander into a board meeting and vote to revoke the association's rules? I guess?

Potential Concerns

- Homeowners (without any sort of quorum requirements?) having the power to pop into board meetings (not even member meetings!?) for the purpose of revoking rules they do not care for seems like a recipe for pure chaos.
- This section is nonsensical to the point that I do think it will be removed or substantially amended prior to the bills advancing further.

Bylaws

Proposed Statutory Language

515B.3-106 BYLAWS; ANNUAL REPORT

(a): Any bylaw in effect may be revoked by a majority vote of the unit owners at the annual meeting, where unit owners may vote in person, by a written statement signed and dated by the unit owner prior to the meeting at which revocation is considered, or by proxy.

Plain English

Homeowners can "revoke" some of the association's Bylaws at the annual meeting, with or without the consent of the Board.

Potential Concerns

- Homeowners (without any sort of quorum requirements?) having the power to amend the Bylaws at the annual meeting is odd at best.
- Unclear to me what is driving this desired change.

Proxies

Limitation on Proxies

Proposed Statutory Language

515B.3-110 VOTING; PROXIES

(b): A current board member cannot act as a proxy for a unit owner. No more than 20 percent of votes cast on any single vote can be by proxy.

Plain English

Proxies capped at 20%; directors cannot act as proxies for unit owners.

Potential Concerns

- Legislature is clearly concerned with proxy “harvesting” (by directors...but not by homeowners?).
- Note that this may make it *significantly* more difficult for some associations (with high quorum thresholds) to hold member meetings.

Limiting Associations Generally

Makes it Easier to Dissolve Existing HOAs.

Proposed Statutory Language

515B.2-119 TERMINATION OF COMMON INTEREST COMMUNITY.

A common interest community may be terminated as follows:

- If the common interest community does not own any common elements, the common interest community may be terminated by agreement of unit owners of units to which at least 60 percent of the votes in the association are allocated; or
- If the common interest community owns common elements, the common interest community may be terminated by agreement of unit owners of units to which at least 80 percent of the votes in the association are allocated.

Plain English

Removes the current requirement for at least 80% of mortgage holders to consent to the dissolution of an association. For communities without common elements, waters down the

threshold to dissolve to just 60% (less than that required to amend a Declaration, in most cases).

Potential Concerns

- **Banking/Lending** – If associations can be dissolved without any input from lenders, lenders may be **very** reluctant to write loans for properties within associations (particularly those without common elements).
 - This may make it difficult for builders to finalize initial sales for units, as well as have a potentially serious chilling effect on the ability of unit owners within these communities to sell their homes.

Seeks to Prevent New HOAs

Proposed Statutory Language

462.3577 MUNICIPALITIES; HOMEOWNERS ASSOCIATIONS.

- A municipality, joint planning board, or public corporation must not condition approval of a residential building permit or conditional use permit; residential subdivision development or residential planned unit development; or any other permit related to residential development on the:
 - creation of a homeowners association;
 - inclusion of any service, feature, or common property necessitating a homeowners association;
 - inclusion of any terms in a homeowners association declaration, bylaws, articles of incorporation, or any other governing document that is not required under state law; or
 - adoption or revocation of, or amendment to, a rule or regulation governing the homeowners association or its members.
- A municipality, joint planning board, public corporation, or the Metropolitan Council must not take any action that requires a residential property to be part of a homeowners association or provide an incentive for such membership. A municipality, joint planning board, public corporation, or the Metropolitan Council must not require or incentivize a homeowners association to adopt, revoke, or amend a term in any governing document or a rule or regulation not required under state law.
- Nothing in this section prohibits a municipality from ensuring private common areas or facilities within a development comply with maintenance, insurance, and other requirements under applicable state law, including under chapter 515, 515A, or 515B.
- *Note:* Companion statute applies substantially identical restrictions on counties.

Plain English

Seeks to limit the authority of local government to condition building projects on the creation of HOAs.

Potential Concerns

- This is a bit outside of the scope of our concerns, but suffice to say the League of Minnesota Cities and some larger builders do not love this.

Conflicts of Interests

Conflicts (Board of Directors)

Proposed Statutory Language

515B.3-103 BOARD OF DIRECTORS, OFFICERS AND DECLARANT CONTROL

(h) The conflict of interest standards set forth in section 317A.255 are required of officers and directors and apply to an actual or potential conflict of interest that arises concerning an officer or director, regardless of whether appointed or elected, and in addition to those requirements:

- no board member, or the spouse, sibling, child, or parent of any board member, may have a financial interest in a business that the association or a property management company has hired or contracted with for goods or services over \$2,000 in a calendar year;
- no board member, or the spouse, sibling, child, or parent of any board member, may solicit or accept any form of direct or indirect compensation, gift, money, rebate, gratuity, remuneration of any kind, or anything of value from any person or entity performing services for the association or a board member or any person or entity with which the association or a board member has a contract or other business relationship;
- no board member may solicit or accept any gift, money, rebate, any form of direct or indirect compensation, gratuity, remuneration of any kind, or anything of value that would improperly influence or would appear to a reasonable person to improperly influence the decisions made by the association;
- An annual report must be prepared and signed by each member of the board of directors for the association listing all contracts for goods or services for the previous budget year, including the purpose of the contract, the amount of the contract, the identity of the recipient of the contract award, the date of the meeting the contract was approved, which directors were present at the meeting, the date the contract became valid, and if there were any fees or payments made related to the contract to a third party or management company. The annual report must be sent to each unit owner annually.

Plain English

Imposes significantly more robust Conflict of Interest provisions than those imposed under the Minnesota Nonprofit Corporation Act.

Potential Concerns

- Unclear what the true intent here or what advantage this language is intended to confer. Annual reporting requirements seems potentially onerous.

Restrictions on Management Companies

Prohibition on Required Vendors

Proposed Statutory Language

515B.3-107 UPKEEP OF COMMON INTEREST COMMUNITY

(a): A management company may not require an association to work with a particular vendor.

Plain English

See above

Potential Concerns

- Seems straightforward enough. I am not sure how prevalent this practice actually is.

Cost Restrictions

Proposed Statutory Language

515B.3-103 BOARD OF DIRECTORS, OFFICERS AND DECLARANT CONTROL

- a management company, or the employee, owner, or individual with a financial interest in a management company, that is providing services to an entity covered by this chapter may not have a financial interest in a business the association or management company has hired or contracted with for goods or services in excess of \$2,000 in a calendar year and may not solicit or accept any gift, money, rebate, gratuity, or direct or indirect compensation from any person or entity performing services for the association or for the award of a contract for goods or services; or

- no association, or board of directors of an association, shall enter into a contract or any other business relationship on behalf of an association or a board member from which the management company, its owner or owners, any of its managerial officials, or any of its employees or any spouse, domestic partner, or relative of the owner or owners, managerial officials, or any employee of the management company has received or could receive a direct or indirect financial benefit in excess of \$2,000 in a calendar year.

Plain English

Management companies cannot charge over \$2,000/year for ancillary services and – as drafted – cannot charge more than \$2,000/year in management fees.

Potential Concerns

- In practice, if this does not drive local management companies out of business, I would anticipate this to cause management fees to increase dramatically (assuming management fee cap goes away but ancillary service cap were to stay).

BILL AUTHORS

There are four primary authors of the Bills—two in the house and two in the senate. Representative Bahner (DFL, House) is the main person driving this legislation. As the Bills progress through the various committees, it is likely that more legislators will be added as authors.

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