

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

2.1 (Construction Against Implicit Repeal); 515B.1-110 (Vacation of Abutting Publicly
2.2 Dedicated Property); 515B.1-112 (Unconscionable Agreement or Term of Contract);
2.3 515B.1-113 (Obligation of Good Faith); 515B.1-114 (Remedies to be Liberally
2.4 Administered); 515B.1-115 (Notice); 515B.1-116 (Recording); 515B.2-103 (Construction
2.5 and Validity of Declaration and Bylaws); 515B.2-104 (Description of Units);
2.6 515B.2-108(d) (Allocation of Interests); 515B.2-109(c) (Common Elements and Limited
2.7 Common Elements); 515B.2-112 (Subdivision, Combination, or Conversion of Units);
2.8 515B.2-113 (Alteration of Units); 515B.2-114 (Relocation of Boundaries Between
2.9 Adjoining Units); 515B.2-115 (Minor Variations in Boundaries); 515B.2-118 (Amendment
2.10 of Declaration); 515B.2-119 (Termination of Common Interest Community); 515B.3-102
2.11 (Powers of Unit Owners' Association); 515B.3-103(a), (b), and (g) (Board of Directors,
2.12 Officers, and Declarant Control); 515B.3-107 (Upkeep of Common Interest Community);
2.13 515B.3-108 (Meetings); 515B.3-109 (Quorums); 515B.3-110 (Voting; Proxies);
2.14 515B.3-111 (Tort and Contract Liability); 515B.3-112 (Conveyance of, or Creation
2.15 of Security Interests in, Common Elements); 515B.3-113 (Insurance); 515B.3-114
2.16 (Replacement Reserves); 515B.3-115 (c), (e), (f), (g), (h), and (i) (Assessments for
2.17 Common Expenses); 515B.3-116 (Lien for Assessments); 515B.3-117 (Other Liens);
2.18 515B.3-118 (Association Records); 515B.3-119 (Association as Trustee); 515B.3-121
2.19 (Accounting Controls); 515B.4-107 (Resale of Units); 515B.4-108 (Purchaser's Right to
2.20 Cancel Resale); and 515B.4-116 (Rights of Action; Attorney's Fees). Section 515B.1-103
2.21 (Definitions) shall apply to the extent necessary in construing any of the sections
2.22 referenced in this section. Sections 515B.1-105, 515B.1-106, 515B.1-107, 515B.1-116,
2.23 515B.2-103, 515B.2-104, 515B.2-118, 515B.3-102, 515B.3-110, 515B.3-111, 515B.3-113,
2.24 515B.3-116, 515B.3-117, 515B.3-118, 515B.3-121, 515B.4-107, 515B.4-108, and
2.25 515B.4-116 apply only with respect to events and circumstances occurring on and after
2.26 June 1, 1994. All other sections referenced in this section apply only with respect to events
2.27 and circumstances occurring after July 31, 1999. A section referenced in this section
2.28 does not invalidate the declarations, bylaws or condominium plats of condominiums
2.29 created before August 1, 1999. But all sections referenced in this section prevail over the
2.30 declarations, bylaws, CIC plats, rules and regulations under them, of condominiums
2.31 created before August 1, 1999, except to the extent that this chapter defers to the
2.32 declarations, bylaws, CIC plats, or rules and regulations issued under them.

2.33 (3) This chapter shall not apply to cooperatives and planned communities created
2.34 prior to June 1, 1994, or to planned communities that were created on or after June 1,
2.35 1994, and before August 1, 2006, and that consist of more than two but fewer than 13
2.36 units; except by election pursuant to subsection (d), and except that sections 515B.1-116,

3.1 subsections (a), (c), (d), and (e), 515B.4-107, and 515B.4-108, apply to all planned
3.2 communities and cooperatives regardless of when they are created, unless they are exempt
3.3 under subsection (e).

3.4 (c) This chapter shall not invalidate any amendment to the declaration, bylaws
3.5 or condominium plat of any condominium created under chapter 515 or 515A if the
3.6 amendment was recorded before June 1, 1994. Any amendment recorded on or after June
3.7 1, 1994, shall be adopted in conformity with the procedures and requirements specified by
3.8 those instruments and by this chapter. If the amendment grants to any person any rights,
3.9 powers or privileges permitted by this chapter, all correlative obligations, liabilities and
3.10 restrictions contained in this chapter shall also apply to that person.

3.11 (d) Any condominium created under chapter 515, any planned community or
3.12 cooperative which would be exempt from this chapter under subsection (e), or any planned
3.13 community or cooperative created prior to June 1, 1994, or any planned community that
3.14 was created on or after June 1, 1994, and prior to August 1, 2006, and that consists of
3.15 more than two but fewer than 13 units, may elect to be subject to this chapter, as follows:

3.16 (1) The election shall be accomplished by recording a declaration or amended
3.17 declaration, and a new or amended CIC plat where required, and by approving bylaws or
3.18 amended bylaws, which conform to the requirements of this chapter, and which, in the
3.19 case of amendments, are adopted in conformity with the procedures and requirements
3.20 specified by the existing declaration and bylaws of the common interest community,
3.21 and by any applicable statutes.

3.22 (2) In a condominium, the preexisting condominium plat shall be the CIC plat and
3.23 an amended CIC plat shall be required only if the amended declaration or bylaws contain
3.24 provisions inconsistent with the preexisting condominium plat. The condominium's CIC
3.25 number shall be the apartment ownership number or condominium number originally
3.26 assigned to it by the recording officer. In a cooperative in which the unit owners' interests
3.27 are characterized as real estate, a CIC plat shall be required. In a planned community,
3.28 the preexisting plat or registered land survey recorded pursuant to chapter 505, 508, or
3.29 508A, or the part of the plat or registered land survey upon which the common interest
3.30 community is located, shall be the CIC plat.

3.31 (3) The amendment shall comply with section 515B.2-118(a)(3) and (c); except that
3.32 the unanimous consent of the unit owners shall not be required for (i) a clarification of the
3.33 unit boundary description if the clarified boundary description is substantially consistent
3.34 with the preexisting CIC plat, or (ii) changes from common elements to limited common
3.35 elements that occur by operation of section 515B.2-109(c) and (d).

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

4.1 (4) Except as permitted by paragraph (3), no declarant, affiliate of declarant,
4.2 association, master association nor unit owner may acquire, increase, waive, reduce or
4.3 revoke any previously existing warranty rights or causes of action that one of said persons
4.4 has against any other of said persons by reason of exercising the right of election under
4.5 this subsection.

4.6 (5) A common interest community which elects to be subject to this chapter may, as
4.7 a part of the election process, change its form of ownership by complying with section
4.8 515B.2-123.

4.9 (e) Except as otherwise provided in this subsection, this chapter shall not apply,
4.10 except by election pursuant to subsection (d), to the following:

4.11 (1) a planned community which consists of two units, which utilizes a CIC plat
4.12 complying with section 515B.2-110(d)(1) and (2), which is not subject to any rights to
4.13 subdivide or convert units or to add additional real estate, and which is not subject to a
4.14 master association;

4.15 (2) a common interest community that consists solely of platted lots or other
4.16 separate parcels of real estate designed or utilized for detached single family dwellings or
4.17 agricultural purposes, with or without common property, where no association or master
4.18 association has an obligation to maintain any building containing a dwelling or any
4.19 agricultural building located or to be located on such platted lots or parcels; except that
4.20 section 515B.4-101(e) shall apply to the sale of such platted lots or parcels of real estate if
4.21 the common interest community is or will be subject to a master declaration;

4.22 (3) a cooperative where, at the time of creation of the cooperative, the unit owners'
4.23 interests in the dwellings as described in the declaration consist solely of proprietary
4.24 leases having an unexpired term of fewer than 20 years, including renewal options;

4.25 (4) planned communities utilizing a CIC plat complying with section
4.26 515B.2-110(d)(1) and (2) and cooperatives, which are limited by the declaration to
4.27 nonresidential uses alone or in combination with residential rental uses in which individual
4.28 dwellings do not constitute units or other separate parcels of real estate; or

4.29 (5) real estate subject only to an instrument or instruments filed primarily for the
4.30 purpose of creating or modifying rights with respect to access, utilities, parking, ditches,
4.31 drainage, or irrigation.

4.32 (f) Section 515B.4-101(e) applies to any platted lot or other parcel of real estate that
4.33 is subject to a master declaration and is not subject to or is exempt from this chapter.

4.34 (g) Section 515B.1-106 shall apply to all common interest communities.

4.35 (h) ~~The amendments in Laws 2010, chapter 267, to the following Sections apply~~
4.36 ~~only to common interest communities created on or after August 1, 2010: section~~

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

5.1 ~~515B.1-103(33) and sections~~ 515B.1-103(33a), 515B.2-110, 515B.3-105, 515B.3-115,
5.2 515B.3-116, 515B.4-102, and 515B.4-115; apply only to common interest communities
5.3 created before August 1, 2010. Sections 515B.1-103(33b), 515B.2-1101, 515B.3-1051,
5.4 515B.3-1151, 515B.4-1021, and 515B.4-1151 apply only to common interest communities
5.5 created on or after August 1, 2010.

5.6 (i) Section 515B.3-114, ~~as amended by Laws 2010, chapter 267,~~ applies to common
5.7 interest communities only for the association's fiscal years commencing ~~on or after~~ before
5.8 January 1, 2012. Section 515B.3-1141 applies to common interest communities only for
5.9 the association's fiscal years commencing on or after January 1, 2012.

5.10 (j) Section 515B.3-104, ~~as amended by Laws 2010, chapter 267,~~ is effective August
5.11 ~~1, 2010, and applies to transfers of special declarant rights that are effective on or after that~~
5.12 date applies only to transfers of special declarant rights that are effective before August
5.13 1, 2010. Section 515B.3-1041, subsections (a) through (i), apply only to transfers of
5.14 special declarant rights that are effective on or after August 1, 2010. Section 515B.3-1041,
5.15 subsections (j) and (k), apply only to special declarant rights reserved in a declaration that
5.16 is first recorded on or after August 1, 2010.

5.17 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.18 Sec. 2. Minnesota Statutes 2010, section 515B.1-103, is amended to read:

5.19 **515B.1-103 DEFINITIONS.**

5.20 In the declaration and bylaws, unless specifically provided otherwise or the context
5.21 otherwise requires, and in this chapter:

5.22 (1) "Additional real estate" means real estate that may be added to a flexible
5.23 common interest community.

5.24 (2) "Affiliate of a declarant" means any person who controls, is controlled by, or is
5.25 under common control with a declarant.

5.26 (A) A person "controls" a declarant if the person (i) is a general partner, officer,
5.27 director, or employer of the declarant, (ii) directly or indirectly or acting in concert with
5.28 one or more other persons, or through one or more subsidiaries, owns, controls, holds with
5.29 power to vote, or holds proxies representing, more than 20 percent of the voting interest in
5.30 the declarant, (iii) controls in any manner the election of a majority of the directors of the
5.31 declarant, or (iv) has contributed more than 20 percent of the capital of the declarant.

5.32 (B) A person "is controlled by" a declarant if the declarant (i) is a general partner,
5.33 officer, director, or employer of the person, (ii) directly or indirectly or acting in concert
5.34 with one or more other persons, or through one or more subsidiaries, owns, controls, holds

6.1 with power to vote, or holds proxies representing, more than 20 percent of the voting
6.2 interest in the person, (iii) controls in any manner the election of a majority of the directors
6.3 of the person, or (iv) has contributed more than 20 percent of the capital of the person.

6.4 (C) Control does not exist if the powers described in this subsection are held solely
6.5 as a security interest and have not been exercised.

6.6 (3) "Allocated interests" means the following interests allocated to each unit: (i) in
6.7 a condominium, the undivided interest in the common elements, the common expense
6.8 liability, and votes in the association; (ii) in a cooperative, the common expense liability
6.9 and the ownership interest and votes in the association; and (iii) in a planned community,
6.10 the common expense liability and votes in the association.

6.11 (4) "Association" means the unit owners' association organized under section
6.12 515B.3-101.

6.13 (5) "Board" means the body, regardless of name, designated in the articles of
6.14 incorporation, bylaws or declaration to act on behalf of the association, or on behalf of
6.15 a master association when so identified.

6.16 (6) "CIC plat" means a common interest community plat described in section
6.17 515B.2-110.

6.18 (7) "Common elements" means all portions of the common interest community
6.19 other than the units.

6.20 (8) "Common expenses" means expenditures made or liabilities incurred by or on
6.21 behalf of the association, or master association when so identified, together with any
6.22 allocations to reserves.

6.23 (9) "Common expense liability" means the liability for common expenses allocated
6.24 to each unit pursuant to section 515B.2-108.

6.25 (10) "Common interest community" or "CIC" means contiguous or noncontiguous
6.26 real estate within Minnesota that is subject to an instrument which obligates persons
6.27 owning a separately described parcel of the real estate, or occupying a part of the real
6.28 estate pursuant to a proprietary lease, by reason of their ownership or occupancy, to pay
6.29 for (i) real estate taxes levied against; (ii) insurance premiums payable with respect to; (iii)
6.30 maintenance of; or (iv) construction, maintenance, repair or replacement of improvements
6.31 located on, one or more parcels or parts of the real estate other than the parcel or part that
6.32 the person owns or occupies. Real estate which satisfies the definition of a common
6.33 interest community is a common interest community whether or not it is subject to
6.34 this chapter. Real estate subject to a master declaration, regardless of when the master
6.35 declaration was recorded, shall not collectively constitute a separate common interest
6.36 community unless so stated in the master declaration.

7.1 (11) "Condominium" means a common interest community in which (i) portions of
7.2 the real estate are designated as units, (ii) the remainder of the real estate is designated for
7.3 common ownership solely by the owners of the units, and (iii) undivided interests in the
7.4 common elements are vested in the unit owners.

7.5 (12) "Conversion property" means real estate on which is located a building that
7.6 at any time within two years before creation of the common interest community was
7.7 occupied for residential use wholly or partially by persons other than purchasers and
7.8 persons who occupy with the consent of purchasers.

7.9 (13) "Cooperative" means a common interest community in which the real estate
7.10 is owned by an association, each of whose members is entitled to a proprietary lease by
7.11 virtue of the member's ownership interest in the association.

7.12 (14) "Dealer" means a person in the business of selling units for the person's own
7.13 account.

7.14 (15) "Declarant" means:

7.15 (i) if the common interest community has been created, (A) any person who has
7.16 executed a declaration, or a supplemental declaration or amendment to a declaration
7.17 adding additional real estate, except secured parties, a spouse holding only an inchoate
7.18 interest, persons whose interests in the real estate will not be transferred to unit owners,
7.19 or, in the case of a leasehold common interest community, a lessor who possesses no
7.20 special declarant rights and who is not an affiliate of a declarant who possesses special
7.21 declarant rights, or (B) any person who reserves, or succeeds under section 515B.3-104 to
7.22 any special declarant rights; or

7.23 (ii) any person or persons acting in concert who have offered prior to creation of
7.24 the common interest community to transfer their interest in a unit to be created and not
7.25 previously transferred.

7.26 (16) "Declaration" means any instrument, however denominated, that creates a
7.27 common interest community.

7.28 (17) "Dispose" or "disposition" means a voluntary transfer to a purchaser of any
7.29 legal or equitable interest in the common interest community, but the term does not include
7.30 the transfer or release of a security interest.

7.31 (18) "Flexible common interest community" means a common interest community
7.32 to which additional real estate may be added.

7.33 (19) "Leasehold common interest community" means a common interest community
7.34 in which all or a portion of the real estate is subject to a lease the expiration or termination
7.35 of which will terminate the common interest community or reduce its size.

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

8.1 (20) "Limited common element" means a portion of the common elements allocated
8.2 by the declaration or by operation of section 515B.2-109(c) or (d) for the exclusive use of
8.3 one or more but fewer than all of the units.

8.4 (21) "Master association" means an entity created on or after June 1, 1994, that
8.5 directly or indirectly exercises any of the powers set forth in section 515B.3-102 on behalf
8.6 of one or more members described in section 515B.2-121(b), (i), (ii) or (iii), whether or
8.7 not it also exercises those powers on behalf of one or more property owners' associations
8.8 described in section 515B.2-121(b)(iv). A person (i) hired by an association to perform
8.9 maintenance, repair, accounting, bookkeeping or management services, or (ii) granted
8.10 authority under an instrument recorded primarily for the purpose of creating rights or
8.11 obligations with respect to utilities, access, drainage, or recreational amenities, is not,
8.12 solely by reason of that relationship, a master association.

8.13 (22) "Master declaration" means a written instrument, however named, (i) recorded
8.14 on or after June 1, 1994, and (ii) complying with section 515B.2-121, subsection (e).

8.15 (23) "Master developer" means a person who is designated in the master declaration
8.16 as a master developer or, in the absence of such a designation, the owner or owners of
8.17 the real estate subject to the master declaration at the time the master declaration is
8.18 recorded, except (i) secured parties and (ii) a spouse holding only an inchoate interest.
8.19 A master developer is not a declarant unless the master declaration states that the real
8.20 estate subject to the master declaration collectively is or collectively will be a separate
8.21 common interest community.

8.22 (24) "Period of declarant control" means the time period provided for in section
8.23 515B.3-103(c) during which the declarant may appoint and remove officers and directors
8.24 of the association.

8.25 (25) "Person" means an individual, corporation, limited liability company,
8.26 partnership, trustee under a trust, personal representative, guardian, conservator,
8.27 government, governmental subdivision or agency, or other legal or commercial entity
8.28 capable of holding title to real estate.

8.29 (26) "Planned community" means a common interest community that is not a
8.30 condominium or a cooperative. A condominium or cooperative may be a part of a planned
8.31 community.

8.32 (27) "Proprietary lease" means an agreement with a cooperative association whereby
8.33 a member of the association is entitled to exclusive possession of a unit in the cooperative.

8.34 (28) "Purchaser" means a person, other than a declarant, who by means of a
8.35 voluntary transfer acquires a legal or equitable interest in a unit other than (i) a leasehold
8.36 interest of less than 20 years, including renewal options, or (ii) a security interest.

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

9.1 (29) "Real estate" means any fee simple, leasehold or other estate or interest in, over,
9.2 or under land, including structures, fixtures, and other improvements and interests that by
9.3 custom, usage, or law pass with a conveyance of land though not described in the contract
9.4 of sale or instrument of conveyance. "Real estate" may include spaces with or without
9.5 upper or lower boundaries, or spaces without physical boundaries.

9.6 (30) "Residential use" means use as a dwelling, whether primary, secondary or
9.7 seasonal, but not transient use such as hotels or motels.

9.8 (31) "Secured party" means the person owning a security interest as defined in
9.9 paragraph (32).

9.10 (32) "Security interest" means a perfected interest in real estate or personal
9.11 property, created by contract or conveyance, which secures payment or performance of an
9.12 obligation. The term includes a mortgagee's interest in a mortgage, a vendor's interest in
9.13 a contract for deed, a lessor's interest in a lease intended as security, a holder's interest
9.14 in a sheriff's certificate of sale during the period of redemption, an assignee's interest in
9.15 an assignment of leases or rents intended as security, in a cooperative, a lender's interest
9.16 in a member's ownership interest in the association, a pledgee's interest in the pledge of
9.17 an ownership interest, or any other interest intended as security for an obligation under a
9.18 written agreement.

9.19 (33a) This definition of special declarant rights applies only to common interest
9.20 communities created before August 1, 2010. "Special declarant rights" means rights
9.21 reserved in the declaration for the benefit of a declarant to:

9.22 (i) complete improvements indicated on the CIC plat, planned by the declarant
9.23 consistent with the disclosure statement or authorized by the municipality in which the
9.24 CIC is located;

9.25 (ii) add additional real estate to a common interest community;

9.26 (iii) subdivide or combine units, or convert units into common elements, limited
9.27 common elements and/or units;

9.28 (iv) maintain sales offices, management offices, signs advertising the common
9.29 interest community, and models;

9.30 (v) use easements through the common elements for the purpose of making
9.31 improvements within the common interest community or any additional real estate;

9.32 (vi) create a master association and provide for the exercise of authority by the
9.33 master association over the common interest community or its unit owners;

9.34 (vii) merge or consolidate a common interest community with another common
9.35 interest community of the same form of ownership; or

10.1 (viii) appoint or remove any officer or director of the association, or the master
10.2 association where applicable, during any period of declarant control.

10.3 ~~(33)~~ (33b) This definition of special declarant rights applies only to common interest
10.4 communities created on or after August 1, 2010. "Special declarant rights" means rights
10.5 reserved in the declaration for the benefit of a declarant and expressly identified in the
10.6 declaration as special declarant rights. Such special declarant rights may include but
10.7 are not limited to the following:

10.8 (i) to complete improvements indicated on the CIC plat, planned by the declarant
10.9 consistent with the disclosure statement or authorized by the municipality in which the
10.10 common interest community is located, and to have and use easements for itself and its
10.11 employees, agents, and contractors through the common elements for such purposes;

10.12 (ii) to add additional real estate to a common interest community;

10.13 (iii) to subdivide or combine units, or convert units into common elements, limited
10.14 common elements and/or units, pursuant to section 515B.2-112;

10.15 (iv) to maintain and use sales offices, management offices, signs advertising the
10.16 common interest community, and models, and to have and use easements for itself and its
10.17 employees, agents, and invitees through the common elements for such purposes;

10.18 (v) to appoint or remove any officer or director of the association during any period
10.19 of declarant control;

10.20 (vi) to utilize an alternate common expense plan as provided in section
10.21 515B.3-115(a)(2);

10.22 (vii) to grant common element licenses as provided in section 515B.2-109(e); or

10.23 (viii) to review, and approve or disapprove, the exterior design, materials, size,
10.24 site location, and other exterior features of buildings and other structures, landscaping
10.25 and other exterior improvements, located within the common interest community, and
10.26 any modifications or alterations thereto.

10.27 Special declarant rights shall not be reserved or utilized for the purpose of evading
10.28 any limitation or obligation imposed on declarants by this chapter.

10.29 (34) "Time share" means a right to occupy a unit or any of several units during three
10.30 or more separate time periods over a period of at least three years, including renewal
10.31 options, whether or not coupled with a fee title interest in the common interest community
10.32 or a specified portion thereof.

10.33 (35) "Unit" means a portion of a common interest community the boundaries
10.34 of which are described in the common interest community's declaration and which is
10.35 intended for separate ownership, or separate occupancy pursuant to a proprietary lease.

11.1 (36) "Unit identifier" means English letters or Arabic numerals, or a combination
11.2 thereof, which identify only one unit in a common interest community and which meet
11.3 the requirements of section 515B.2-104.

11.4 (37) "Unit owner" means a declarant or other person who owns a unit, a lessee under
11.5 a proprietary lease, or a lessee of a unit in a leasehold common interest community whose
11.6 lease expires simultaneously with any lease the expiration or termination of which will
11.7 remove the unit from the common interest community, but does not include a secured
11.8 party. In a common interest community, the declarant is the unit owner of a unit until that
11.9 unit has been conveyed to another person.

11.10 **EFFECTIVE DATE.** This section is effective the day following final enactment.

11.11 Sec. 3. Minnesota Statutes 2010, section 515B.1-116, is amended to read:

11.12 **515B.1-116 RECORDING.**

11.13 (a) A declaration, bylaws, a supplemental declaration, any amendment to a
11.14 declaration, supplemental declaration, or bylaws, and any other instrument affecting
11.15 a common interest community shall be entitled to be recorded. In those counties which
11.16 have a tract index, the county recorder shall enter the declaration in the tract index for
11.17 each unit or other tract affected. The county recorder shall not enter the declaration in
11.18 the tract index for lands described as additional real estate, unless such lands are added
11.19 to the common interest community pursuant to section 515B.2-111. The registrar of
11.20 titles shall file the declaration in accordance with section 508.351 or 508A.351. The
11.21 registrar of titles shall not file the declaration upon certificates of title for lands described
11.22 as additional real estate, unless such lands are added to the common interest community
11.23 pursuant to section 515B.2-111.

11.24 (b) The recording officer shall upon request promptly assign a number (CIC number)
11.25 to a common interest community to be formed or to a common interest community
11.26 resulting from the merger of two or more common interest communities.

11.27 (c) Documents recorded pursuant to this chapter shall in the case of registered
11.28 land be filed, and references to the recording of documents shall mean filed in the case
11.29 of registered land.

11.30 (d) Except as provided in section 515B.2-109, 515B.2-112, 515B.2-114, or
11.31 515B.2-124, if a recorded document relating to a common interest community or a master
11.32 association purports to require a certain vote or signatures approving any restatement
11.33 or amendment of the document by a certain number or percentage of unit owners or
11.34 secured parties, and if the amendment or restatement is to be recorded, an affidavit of the

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

12.1 president or secretary of the association stating that the required vote or signatures have
12.2 been obtained shall be attached to the document to be recorded and shall constitute prima
12.3 facie evidence of the representations contained therein.

12.4 (e) Except as permitted under this subsection, a recording officer shall not file or
12.5 record a declaration creating a new common interest community, unless the county
12.6 treasurer has certified that the property taxes payable in the current year for the real estate
12.7 included in the proposed common interest community have been paid. This certification
12.8 is in addition to the certification for delinquent taxes required by section 272.12. In the
12.9 case of preexisting common interest communities, the recording officer shall accept, file,
12.10 and record the following instruments, without requiring a certification as to the current or
12.11 delinquent taxes on any of the units in the common interest community: (i) a declaration
12.12 or amended declaration subjecting the common interest community to this chapter; (ii)
12.13 a declaration changing the form of a common interest community pursuant to section
12.14 515B.2-123; or (iii) an amendment to or restatement of the declaration, bylaws, or CIC
12.15 plat; provided, that if the declaration, amendment, or restatement changes the boundaries
12.16 of an existing tax parcel, then the recording officer shall require a certification as to the
12.17 payment of current and delinquent taxes on any tax parcel the boundaries of which are
12.18 changed. ~~In order for an instrument to be accepted and recorded under the preceding~~
12.19 ~~sentence, the instrument must not create or change unit or common area boundaries.~~

12.20 **EFFECTIVE DATE.** This section is effective August 1, 2011.

12.21 Sec. 4. Minnesota Statutes 2010, section 515B.2-109, is amended to read:

12.22 **515B.2-109 COMMON ELEMENTS AND LIMITED COMMON ELEMENTS.**

12.23 (a) Except as limited by the declaration or this chapter, common elements other than
12.24 limited common elements may be used in common by all unit owners. Limited common
12.25 elements are designated for the exclusive use of the unit owners of the unit or units to
12.26 which the limited common elements are allocated, subject to subsection (b) and the rights
12.27 of the association as set forth in the declaration, the bylaws or this chapter.

12.28 (b) Except for the limited common elements described in subsections (c) and (d), the
12.29 declaration shall specify to which unit or units each limited common element is allocated.

12.30 (c) Unless otherwise provided in the declaration, if any chute, flue, duct, wire, pipe,
12.31 conduit, bearing wall, bearing column, or other fixture or improvement: (i) serves one or
12.32 more but fewer than all units and is located wholly or partially outside the unit boundaries,
12.33 it is a limited common element allocated solely to the unit or units served; (ii) serves all

13.1 units or any portion of the common elements, it is a part of the common elements; or (iii)
13.2 serves only the unit and is located wholly within the unit boundaries, it is a part of the unit.

13.3 (d) Unless otherwise provided in the declaration, improvements such as shutters,
13.4 awnings, window boxes, doorsteps, stoops, porches, balconies, decks, patios, perimeter
13.5 doors and windows, and their frames, constructed as part of the original construction to
13.6 serve a single unit or units, and authorized replacements and modifications thereof, if
13.7 located wholly or partially outside the unit boundaries, are limited common elements
13.8 allocated solely to the unit or units served.

13.9 (e) If the declaration so provides, and subject to any different licensing provisions in
13.10 a declaration recorded before August 1, 2010, the declarant may grant to a unit owner an
13.11 exclusive license for the use of a common element originally designed and constructed to
13.12 serve as a garage stall, storage locker, or other similar common element space, in which
13.13 case the common element license shall be deemed to be appurtenant to the unit owner's
13.14 unit, subject to transfer if so provided by the declaration. The declarant shall, at the time
13.15 the license is granted, provide to the ~~association~~ unit owner a common element license
13.16 evidenced by a separate instrument signed by the declarant, ~~that~~ and provide a copy of the
13.17 instrument to the association. The instrument shall, at a minimum, ~~identifies~~ identify the
13.18 licensed common element, the unit identifier of the unit to which it is appurtenant, and
13.19 ~~a reference to~~ the section of the declaration governing common element licenses. If the
13.20 declaration so provides, the declarant may require the onetime payment to the declarant of
13.21 a consideration for the grant of a license.

13.22 (1) A common element license may be held only by a unit owner, and the purported
13.23 transfer of a license to a person other than a unit owner shall be void. Except as provided
13.24 in the declaration or this subsection, no interest in the common element license may be
13.25 held or transferred separate from the unit, ~~and the purported transfer of any interest in the~~
13.26 ~~license other than to another unit owner shall be void.~~

13.27 (2) The right of any declarant to grant a common element license shall terminate at
13.28 the earlier of (i) the conveyance of all units to persons other than a declarant or (ii) ten
13.29 years after the recording of the declaration.

13.30 (3) The document granting the common element license shall not be recorded. The
13.31 association shall maintain records of all common element licenses including originals
13.32 or copies of the common element licenses and transfers of common element licenses
13.33 authorized by the declaration.

13.34 (4) A common element license granted pursuant to this subsection shall not be
13.35 subject to the approval requirements set forth in section 515B.3-102(a)(9).

14.1 (f) An allocation of limited common elements may be changed by an amendment
14.2 to the declaration executed by the unit owners between or among whose units the
14.3 reallocation is made and the association. The amendment shall be approved by the board
14.4 of directors of the association as to form, and compliance with the declaration and this
14.5 chapter. The association shall establish fair and reasonable procedures and time frames for
14.6 the submission and processing of the reallocations, and shall maintain records thereof.
14.7 If approved, the association shall cause the amendment to be recorded promptly. The
14.8 amendment shall be effective when recorded. The association may require the unit owners
14.9 requesting the reallocation to pay all fees and costs for reviewing, preparing and recording
14.10 the amendment and any amended CIC plat.

14.11 **EFFECTIVE DATE.** This section is effective August 1, 2011.

14.12 Sec. 5. Minnesota Statutes 2010, section 515B.2-110, is amended to read:

14.13 **515B.2-110 COMMON INTEREST COMMUNITY PLAT (CIC PLAT).**

14.14 ~~(a) A CIC plat is required for condominiums and planned communities, and~~
14.15 ~~cooperatives in which the unit owners' interests are characterized as real estate. The CIC~~
14.16 ~~plat is a part of the declaration in condominiums, in planned communities utilizing a CIC~~
14.17 ~~plat complying with subsection (c), and in cooperatives in which the unit owners' interests~~
14.18 ~~are characterized as real estate, but need not be physically attached to the declaration.~~

14.19 ~~(1) In a condominium, a planned community not utilizing a subdivision plat or~~
14.20 ~~registered land survey under subsection (d)(1), or a cooperative in which the unit owners'~~
14.21 ~~interests are characterized as real estate, the CIC plat shall comply with subsection (c).~~

14.22 ~~(2) In a planned community, a CIC plat which does not comply with subsection (c)~~
14.23 ~~shall consist of all or part of a subdivision plat or registered land survey complying with~~
14.24 ~~subsection (d), or any combination thereof. The subdivision plat or registered land survey~~
14.25 ~~need not contain the number of the common interest community and may be recorded at~~
14.26 ~~any time before the recording of the declaration; provided, that if the CIC plat complies~~
14.27 ~~with subsection (c), the number of the common interest community shall be included and~~
14.28 ~~the CIC plat shall be recorded at the time of recording of the declaration.~~

14.29 ~~(3) In a cooperative in which the unit owners' interests are characterized as personal~~
14.30 ~~property, a CIC plat shall not be required. In lieu of a CIC plat, the declaration, or any~~
14.31 ~~amendment or supplemental declaration creating, converting, or subdividing units, shall~~
14.32 ~~include an exhibit containing a dimensioned, scale drawing showing (i) the boundaries~~
14.33 ~~of the land constituting the cooperative property, (ii) the location and dimensions of the~~

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

15.1 ~~front, rear, and side boundaries of each unit, and (iii) the unit's unit identifier and location~~
15.2 ~~within the cooperative property.~~

15.3 ~~(b) The CIC plat, or supplemental or amended CIC plat, for condominiums, for~~
15.4 ~~planned communities using a plat complying with subsection (c), and for cooperatives in~~
15.5 ~~which the unit owners' interests are characterized as real estate, shall contain certifications~~
15.6 ~~by a licensed professional land surveyor and licensed professional architect, as to the parts~~
15.7 ~~of the CIC plat prepared by each, that (i) the CIC plat accurately depicts all information~~
15.8 ~~required by this section, and (ii) the work was undertaken by, or reviewed and approved~~
15.9 ~~by, the certifying land surveyor or architect. The portions of the CIC plat depicting the~~
15.10 ~~dimensions of the portions of the common interest community described in subsections~~
15.11 ~~(c)(8), (9), and (10), may be prepared by either a land surveyor or an architect. The other~~
15.12 ~~portions of the CIC plat shall be prepared only by a land surveyor. A certification of the~~
15.13 ~~CIC plat or supplemental CIC plat, or an amendment to it, under this subsection by an~~
15.14 ~~architect is not required if all parts of the CIC plat, supplemental CIC plat, or amendment~~
15.15 ~~are prepared by a land surveyor. Certification by the land surveyor or architect does not~~
15.16 ~~constitute a guaranty or warranty of the nature, suitability, or quality of construction of~~
15.17 ~~any improvements located or to be located in the common interest community.~~

15.18 ~~(c) A CIC plat for a condominium, a planned community not utilizing a subdivision~~
15.19 ~~plat or registered land survey under subsection (d)(1), or a cooperative in which the unit~~
15.20 ~~owners' interests are characterized as real estate, shall show:~~

15.21 ~~(1) the number of the common interest community, and the boundaries, dimensions~~
15.22 ~~and a legally sufficient description of the land included therein;~~

15.23 ~~(2) the dimensions and location of all existing roadways and material structural~~
15.24 ~~improvements that are part of the common elements;~~

15.25 ~~(3) the intended location and dimensions of all roadways and material structural~~
15.26 ~~improvements that may be constructed by the declarant within the common elements after~~
15.27 ~~the filing of the CIC plat, labeled either "MUST BE BUILT" or "NEED NOT BE BUILT";~~

15.28 ~~(4) the location and dimensions of any additional real estate, labeled as such, and a~~
15.29 ~~legally sufficient description of the additional real estate;~~

15.30 ~~(5) the extent of any encroachments by or upon any portion of the common interest~~
15.31 ~~community;~~

15.32 ~~(6) the location and dimensions of all recorded easements within the land included~~
15.33 ~~in the common interest community burdening any portion of the land;~~

15.34 ~~(7) the distance and direction between noncontiguous parcels of real estate;~~

15.35 ~~(8) the location and dimensions of limited common elements, except that with~~
15.36 ~~respect to limited common elements described in section 515B.2-109, subsections (c)~~

16.1 ~~and (d), only such material limited common elements as porches, balconies, decks, and~~
16.2 ~~patios, shall be shown;~~

16.3 ~~(9) the location and dimensions of the front, rear, and side boundaries of each unit~~
16.4 ~~and that unit's unit identifier;~~

16.5 ~~(10) the location and dimensions of the upper and lower boundaries of each unit~~
16.6 ~~with reference to an established or assumed datum and that unit's unit identifier; and~~

16.7 ~~(11) a legally sufficient description of any real estate in which the unit owners will~~
16.8 ~~own only an estate for years, labeled as "leasehold real estate."~~

16.9 ~~(d) A CIC plat for a planned community either shall comply with subsection (c),~~
16.10 ~~or it shall:~~

16.11 ~~(1) comply with chapter 505, 508, or 508A, as applicable; and~~

16.12 ~~(2) comply with the applicable subdivision requirements of any governmental~~
16.13 ~~authority within whose jurisdiction the planned community is located, subject to the~~
16.14 ~~limitations set forth in section 515B.1-106.~~

16.15 ~~(e) If a declarant adds additional real estate, the declarant shall record a supplemental~~
16.16 ~~CIC plat or plats for the real estate being added, conforming to the requirements of this~~
16.17 ~~section which apply to the type of common interest community in question. If less than~~
16.18 ~~all additional real estate is being added, the supplemental CIC plat for a condominium,~~
16.19 ~~a planned community whose CIC plat complies with subsection (c), or a cooperative~~
16.20 ~~in which the unit owners' interests are characterized as real estate, shall also show the~~
16.21 ~~location and dimensions of the remaining portion.~~

16.22 ~~(f) A CIC plat which complies with subsection (c) is not subject to chapter 505.~~

16.23 (a) A CIC plat is required for condominiums and planned communities, and
16.24 cooperatives in which the unit owners' interests are characterized as real estate. The CIC
16.25 plat is a part of the declaration in condominiums, in planned communities utilizing a CIC
16.26 plat complying with subsection (c), and in cooperatives in which the unit owners' interests
16.27 are characterized as real estate, but need not be physically attached to the declaration.

16.28 (1) In a condominium, or a cooperative in which the unit owners' interests are
16.29 characterized as real estate, the CIC plat shall comply with subsection (c).

16.30 (2) In a planned community, a CIC plat that does not comply with subsection (c)
16.31 shall consist of all or part of a subdivision plat or registered land survey complying with
16.32 subsection (d), or any combination thereof. The CIC plat or registered land survey need
16.33 not contain the number of the common interest community and may be recorded at any
16.34 time before the recording of the declaration; provided that if the CIC plat complies with
16.35 subsection (c), the number of the common interest community shall be included and the
16.36 CIC plat shall be recorded at the time of recording of the declaration.

17.1 (3) In a cooperative in which the unit owners' interests are characterized as personal
17.2 property, a CIC plat shall not be required. In lieu of a CIC plat, the declaration or
17.3 any amendment to it creating, converting, or subdividing units in a personal property
17.4 cooperative shall include an exhibit containing a scale drawing of each building,
17.5 identifying each building, and showing the perimeter walls of each unit created or changed
17.6 by the declaration or any amendment to it, including the unit's unit identifier, and its
17.7 location within the building if the building contains more than one unit.

17.8 (b) The CIC plat, or supplemental or amended CIC plat, for condominiums, for
17.9 planned communities using a plat complying with subsection (c), and for cooperatives in
17.10 which the unit owners' interests are characterized as real estate, shall contain certifications
17.11 by a licensed professional land surveyor and licensed professional architect, as to the parts
17.12 of the CIC plat prepared by each, that (i) the CIC plat accurately depicts all information
17.13 required by this section, and (ii) the work was undertaken by, or reviewed and approved
17.14 by, the certifying land surveyor or architect. The portions of the CIC plat depicting the
17.15 dimensions of the portions of the common interest community described in subsection
17.16 (c), clauses (8), (9), (10), and (12), may be prepared by either a land surveyor or an
17.17 architect. The other portions of the CIC plat shall be prepared only by a land surveyor.
17.18 A certification of the CIC plat or supplemental CIC plat, or an amendment to it, under
17.19 this subsection by an architect is not required if all parts of the CIC plat, supplemental
17.20 CIC plat, or amendment are prepared by a land surveyor. Certification by the land
17.21 surveyor or architect does not constitute a guaranty or warranty of the nature, suitability,
17.22 or quality of construction of any improvements located or to be located in the common
17.23 interest community.

17.24 (c) A CIC plat for a condominium, or a cooperative in which the unit owners'
17.25 interests are characterized as real estate, shall show:

17.26 (1) the number of the common interest community, and the boundaries, dimensions,
17.27 and legally sufficient description of the land included therein;

17.28 (2) the dimensions and location of all existing material structural improvements
17.29 and roadways;

17.30 (3) the intended location and dimensions of any contemplated common element
17.31 improvements to be constructed within the common interest community after the filing of
17.32 the CIC plat, labeled either "MUST BE BUILT" or "NEED NOT BE BUILT";

17.33 (4) the location and dimensions of any additional real estate, labeled as such, and a
17.34 legally sufficient description of the additional real estate;

17.35 (5) the extent of any encroachments by or upon any portion of the common interest
17.36 community;

18.1 (6) the location and dimensions of all recorded easements within the land included
18.2 in the common interest community burdening any portion of the land;

18.3 (7) the distance and direction between noncontiguous parcels of real estate;

18.4 (8) the location and dimensions of limited common elements, except that with
18.5 respect to limited common elements described in section 515B.2-102, subsections (d) and
18.6 (f), only such material limited common elements as porches, balconies, decks, patios, and
18.7 garages shall be shown;

18.8 (9) the location and dimensions of the front, rear, and side boundaries of each unit
18.9 and that unit's unit identifier;

18.10 (10) the local and dimensions of the upper and lower boundaries of each unit with
18.11 reference to an established or assumed datum and that unit's unit identifier;

18.12 (11) a legally sufficient description of any real estate in which the unit owners will
18.13 own only an estate for years, labeled as "leasehold real estate";

18.14 (12) any units which may be converted by the declarant to create additional units or
18.15 common elements identified separately.

18.16 (d) A CIC plat for a planned community either shall comply with subsection (c),
18.17 or it shall:

18.18 (1) comply with chapter 505, 508, or 508A, as applicable; and

18.19 (2) comply with the applicable subdivision requirements of any governmental
18.20 authority within whose jurisdiction the planned community is located, subject to the
18.21 limitations set forth in section 515B.1-106.

18.22 (e) If a declarant adds additional real estate, the declarant shall record a supplemental
18.23 CIC plat or plats for the real estate being added, conforming to the requirements of this
18.24 section which apply to the type of common interest community in question. If less than
18.25 all additional real estate is being added, the supplemental CIC plat for a condominium,
18.26 a planned community whose CIC plat complies with subsection (c), or a cooperative
18.27 in which the unit owners' interests are characterized as real estate, shall also show the
18.28 location and dimensions of the remaining portion.

18.29 (f) If, pursuant to section 515B.2-112, a declarant subdivides or converts any unit
18.30 into two or more units, common elements or limited common elements, or combines
18.31 two or more units, the declarant shall record an amendment to the CIC plat showing
18.32 the location and dimensions of any new units, common elements, or limited common
18.33 elements thus created.

18.34 (g) A CIC plat which complies with subsection (c) is not subject to chapter 505.

18.35 (h) This section applies only to common interest communities created before August
18.36 1, 2010.

19.1 EFFECTIVE DATE. This section is effective the day following final enactment.

19.2 Sec. 6. [515B.2-1101] COMMON INTEREST COMMUNITY PLAT (CIC PLAT).

19.3 (a) A CIC plat is required for condominiums and planned communities, and
19.4 cooperatives in which the unit owners' interests are characterized as real estate. The CIC
19.5 plat is a part of the declaration in condominiums, in planned communities utilizing a CIC
19.6 plat complying with subsection (c), and in cooperatives in which the unit owners' interests
19.7 are characterized as real estate, but need not be physically attached to the declaration.

19.8 (1) In a condominium, a planned community not utilizing a subdivision plat or
19.9 registered land survey under subsection (d), clause (1), or a cooperative in which the
19.10 unit owners' interests are characterized as real estate, the CIC plat shall comply with
19.11 subsection (c).

19.12 (2) In a planned community, a CIC plat that does not comply with subsection (c)
19.13 shall consist of all or part of a subdivision plat or registered land survey complying with
19.14 subsection (d), or any combination thereof. The CIC subdivision plat or registered land
19.15 survey need not contain the number of the common interest community and may be
19.16 recorded at any time before the recording of the declaration; provided that if the CIC plat
19.17 complies with subsection (c), the number of the common interest community shall be
19.18 included and the CIC plat shall be recorded at the time of recording of the declaration.

19.19 (3) In a cooperative in which the unit owners' interests are characterized as personal
19.20 property, a CIC plat shall not be required. In lieu of a CIC plat, the declaration, or any
19.21 amendment or supplemental declaration creating, converting, or subdividing units shall
19.22 include an exhibit containing a dimensioned, scale drawing showing (i) the boundaries
19.23 of the land constituting the cooperative property, (ii) the location and dimensions of the
19.24 front, rear, and side boundaries of each unit, and (iii) the unit's unit identifier and its
19.25 location within the cooperative property.

19.26 (b) The CIC plat or supplemental or amended CIC plat for condominiums, for
19.27 planned communities using a plat complying with subsection (c), and for cooperatives in
19.28 which the unit owners' interests are characterized as real estate, shall contain certifications
19.29 by a licensed professional land surveyor and licensed professional architect, as to the parts
19.30 of the CIC plat prepared by each, that (i) the CIC plat accurately depicts all information
19.31 required by this section, and (ii) the work was undertaken by, or reviewed and approved
19.32 by, the certifying land surveyor or architect. The portions of the CIC plat depicting the
19.33 dimensions of the portions of the common interest community described in subsection (c),
19.34 clauses (8), (9), and (10), may be prepared by either a land surveyor or an architect. The
19.35 other portions of the CIC plat shall be prepared only by a land surveyor. A certification of

20.1 the CIC plat or supplemental CIC plat, or an amendment to it, under this subsection by an
20.2 architect is not required if all parts of the CIC plat, supplemental CIC plat, or amendment
20.3 are prepared by a land surveyor. Certification by the land surveyor or architect does not
20.4 constitute a guaranty or warranty of the nature, suitability, or quality of construction of
20.5 any improvements located or to be located in the common interest community.

20.6 (c) A CIC plat for a condominium, a planned community not utilizing a subdivision
20.7 plat or registered land survey under subsection (d), clause (1), or a cooperative in which
20.8 the unit owners' interests are characterized as real estate, shall show:

20.9 (1) the number of the common interest community, and the boundaries, dimensions,
20.10 and a legally sufficient description of the land included therein;

20.11 (2) the dimensions and location of all existing roadways and material structural
20.12 improvements that are part of the common elements;

20.13 (3) the intended location and dimensions of all roadways and material structural
20.14 improvements that may be constructed by the declarant within the common elements after
20.15 the filing of the CIC plat, labeled either "MUST BE BUILT" or "NEED NOT BE BUILT";

20.16 (4) the location and dimensions of any additional real estate, labeled as such, and a
20.17 legally sufficient description of the additional real estate;

20.18 (5) the extent of any encroachments by or upon any portion of the common interest
20.19 community;

20.20 (6) the location and dimensions of all recorded easements within the land included
20.21 in the common interest community burdening any portion of the land;

20.22 (7) the distance and direction between noncontiguous parcels of real estate;

20.23 (8) the location and dimensions of limited common elements, except that with
20.24 respect to limited common elements described in section 515B.2-109, subsections (c)
20.25 and (d), only such material limited common elements as porches, balconies, decks, and
20.26 patios shall be shown;

20.27 (9) the location and dimensions of the front, rear, and side boundaries of each unit
20.28 and that unit's unit identifier;

20.29 (10) the location and dimensions of the upper and lower boundaries of each unit
20.30 with reference to an established or assumed datum and that unit's unit identifier; and

20.31 (11) a legally sufficient description of any real estate in which the unit owners will
20.32 own only an estate for years, labeled as "leasehold real estate."

20.33 (d) A CIC plat for a planned community either shall comply with subsection (c),
20.34 or it shall:

20.35 (1) comply with chapter 505, 508, or 508A, as applicable; and

21.1 (2) comply with the applicable subdivision requirements of any governmental
21.2 authority within whose jurisdiction the planned community is located, subject to the
21.3 limitations set forth in section 515B.1-106.

21.4 (e) If a declarant adds additional real estate, the declarant shall record a supplemental
21.5 CIC plat or plats for the real estate being added, conforming to the requirements of this
21.6 section which apply to the type of common interest community in question. If less than all
21.7 additional real estate is being added, the supplemental CIC plat complies with subsection
21.8 (c), or a cooperative in which the unit owners' interests are characterized as real estate,
21.9 shall also show the location and dimensions of the remaining portion.

21.10 (f) A CIC plat which complies with subsection (c) is not subject to chapter 505.

21.11 (g) This section applies only to common interest communities created on or after
21.12 August 1, 2010.

21.13 **EFFECTIVE DATE.** This section is effective the day following final enactment.

21.14 Sec. 7. Minnesota Statutes 2010, section 515B.2-121, is amended to read:

21.15 **515B.2-121 MASTER ASSOCIATIONS.**

21.16 (a) A master association formed after June 1, 1994, shall be organized as a Minnesota
21.17 profit, nonprofit or cooperative corporation. A master association shall be incorporated
21.18 prior to the delegation to it of any powers under this chapter.

21.19 (b) The members of the master association shall be any combination of (i) unit
21.20 owners, (ii) associations, (iii) master associations, or (iv) owners of real estate or property
21.21 owners' associations not subject to this chapter but only in combination with at least one
21.22 other category of member. An association or its members may be members of an entity
21.23 created before June 1, 1994, which performs functions similar to those performed by a
21.24 master association regardless of whether the entity is subject to this chapter.

21.25 (c) A master association shall be governed by a master board. Except as expressly
21.26 prohibited by the master declaration, the master association's articles of incorporation or
21.27 bylaws, or other provisions of this chapter, the master board may act in all instances on
21.28 behalf of the master association. The directors of a master association shall be elected or, if
21.29 a nonprofit corporation, elected or appointed, in a manner consistent with the requirements
21.30 of the statute under which the master association is formed and of the master association's
21.31 articles of incorporation and bylaws, and subject to the following:

21.32 (1) The master declaration may provide for a period of master developer control
21.33 of the master association during which a master developer or a person designated by
21.34 the master developer may appoint and remove the officers and directors of the master

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

22.1 association. The period of master developer control begins on the date of the recording of
22.2 the master declaration and terminates upon the earliest of the following events:

22.3 (i) the voluntary surrender of the right to appoint directors;

22.4 (ii) the date ten years after the date the master declaration is recorded, unless
22.5 extended by an amendment to the master declaration approved in writing by the master
22.6 developer, and by 67 percent of the votes of members other than the master developer;

22.7 (iii) the termination date, if any, in the master declaration; or

22.8 (iv) the date when at least 75 percent of the total units and other parcels of real estate
22.9 referred to in subsection (e)(1)(vii) have been conveyed to persons other than a master
22.10 developer, master association, declarant, or association.

22.11 (2) Upon the termination of the period of master developer control, the master board
22.12 shall cause a meeting of the members of the master association to be called and held
22.13 within 60 days after said termination, at which time the directors shall be elected by all
22.14 members, including the master developer if a member. If the master board fails or refuses
22.15 to call a meeting of the unit owners required to be called by this subsection, then the
22.16 members other than the master developer and its affiliates, if they are members, may cause
22.17 the meeting to be called pursuant to the applicable provisions of the statute under which
22.18 the master association was created. If the master developer or its affiliates are members,
22.19 they shall be deemed to be present at the meeting for purposes of establishing a quorum
22.20 regardless of their failure to attend the meeting. The master board shall thereafter be
22.21 subject to the following:

22.22 (i) unless otherwise approved by a vote of members other than the master developer
22.23 or an affiliate of the master developer, a majority of the directors shall be members, or a
22.24 natural person designated by a member that is not a natural person, other than the master
22.25 developer or an affiliate of the master developer;

22.26 (ii) subject to the requirements of subsection (c)(2)(i), the articles of incorporation or
22.27 bylaws may authorize the master developer or a person designated by the master developer
22.28 to appoint one director, who need not be a member. The articles of incorporation or
22.29 bylaws shall not be amended to change or terminate the authorization to appoint one
22.30 director without the written consent of the master developer or other person possessing
22.31 the power to appoint; and

22.32 (iii) subject to the requirements of subsection (c)(2)(i), the articles of incorporation
22.33 or bylaws may authorize special classes of directors and director voting rights, as follows:
22.34 (A) classes of directors, (B) the appointment or election of directors in certain classes by
22.35 certain classes of members, or (C) class voting by classes of directors on issues affecting
22.36 only a certain class or classes of members, units, or other parcels of real estate, or to

23.1 otherwise protect the legitimate interests of such class or classes. No person may utilize
23.2 such special classes or class voting for the purpose of evading any limitation imposed by
23.3 this chapter on master developers or declarants.

23.4 (d) Subject to subsection (c)(1), the officers of a master association shall be elected,
23.5 appointed, or designated in a manner consistent with the statute under which the master
23.6 association is formed and consistent with the master association articles of incorporation
23.7 and bylaws.

23.8 (e) The creation and authority of a master association shall be governed by the
23.9 following requirements:

23.10 (1) A master declaration shall be recorded in connection with the creation of a
23.11 master association. The master declaration shall be executed by the owners of the real
23.12 estate subjected to the master declaration and by the master developer if not an owner.

23.13 The master declaration shall contain, at a minimum:

23.14 (i) the name of the master association;

23.15 (ii) a legally sufficient description of the real estate which is subject to the master
23.16 declaration, identifying any interest in the real estate which will be owned by the master
23.17 association, and a legally sufficient description of any other real estate which may be
23.18 subjected to the master declaration pursuant to subsection (f);

23.19 (iii) a statement as to whether the real estate subject to, and which may be subjected
23.20 to, the master declaration collectively is or collectively will be a separate common interest
23.21 community;

23.22 (iv) a description of the members of the master association;

23.23 (v) a description of the master association's powers. To the extent described in
23.24 the master declaration, a master association has the powers with respect to the master
23.25 association's members and the property subject to the master declaration that section
23.26 515B.3-102 grants to an association with respect to the association's members and the
23.27 property subject to the declaration. A master association also has the powers delegated to
23.28 it by an association pursuant to subsection (e)(2) or by a property owners' association not
23.29 subject to the chapter; provided (A) that the master declaration identifies the powers and
23.30 authorizes the delegation either expressly or by a grant of authority to the master board
23.31 of the association or property owners' association and (B) that the master association
23.32 board has not refused the delegation pursuant to subsection (e)(4). The provisions of
23.33 the declarations of the common interest communities, or the provisions of recorded
23.34 instruments governing other property subject to the master declaration, that delegate
23.35 powers to the master association shall be consistent with the provisions of the master
23.36 declaration that govern the delegation of the powers;

24.1 (vi) a description of the formulas governing the allocation of assessments and
24.2 member voting rights, including any special classes or class voting referred to in
24.3 subsection (c);

24.4 (vii) a statement, based upon the master developer's good faith estimate, of the
24.5 total number of units and other parcels of real estate intended for ownership by persons
24.6 other than a master developer, master association, declarant, or association that are (A)
24.7 subject to the master declaration as initially recorded and (B) intended to be created by the
24.8 addition of real estate or by the subdivision of units or other parcels of real estate; and

24.9 (viii) the requirements for amendment of the master declaration, other than an
24.10 amendment under subsection (f).

24.11 (2) The declaration of a common interest community located on property subject to
24.12 a master declaration may:

24.13 (i) delegate any of the powers described in section 515B.3-102 to the
24.14 master association; provided, that a delegation of the powers described in section
24.15 515B.3-102(a)(2) is effective only if expressly stated in the declaration; and

24.16 (ii) authorize the ~~master~~ board to delegate any of the powers described in section
24.17 515B.3-102, except for the powers described in section 515B.3-102(a)(2), to the master
24.18 association.

24.19 (3) With respect to any other property subject to a master association, there need
24.20 not be an instrument other than the master declaration recorded against the property to
24.21 empower the master association to exercise powers with respect to the property.

24.22 (4) If a declaration or other recorded instrument authorizes the master board or
24.23 the board of a property owners' association to delegate powers to a master association,
24.24 the master board may refuse any delegation of powers that does not comply with (i)
24.25 this chapter, (ii) the declaration or other recorded instrument, or (iii) the organizational
24.26 documents of the master association.

24.27 (5) The failure of a declaration, a master board, or an owner of property subject
24.28 to a master association to properly delegate some or all of the powers to the master
24.29 association does not affect the authority of the master association to exercise those and
24.30 other powers with respect to other common interest communities or owners of properties
24.31 that are subject to the master association.

24.32 (6) Any interest in the real estate subject to a master declaration that subsection
24.33 (e)(1)(ii) or (f) indicates will be owned by the master association shall be conveyed
24.34 to the master association immediately after the recording of the master declaration or
24.35 amendment to the master declaration, as applicable.

25.1 (f) If the master declaration so provides, other real estate may be subjected to the
25.2 master declaration. The other real estate shall be subjected to the master declaration by an
25.3 amendment executed (i) by the master developer and (ii) by the owner of the other real
25.4 estate. The amendment shall identify any ownership interest in the other real estate that
25.5 will be owned by the master association.

25.6 (g) Sections 515B.3-103(a), (b), and (g), 515B.3-108, 515B.3-109, 515B.3-110, and
25.7 515B.3-112 shall apply in the conduct of the affairs of a master association. But the rights
25.8 of voting, notice, and other rights enumerated in those sections apply to persons who elect
25.9 or appoint the directors of a master board, whether or not those persons are otherwise unit
25.10 owners within the meaning of this chapter.

25.11 (h) If so provided in the master declaration, a master association may levy
25.12 assessments for common expenses of the master association against its members and the
25.13 property subject to the master declaration, and have and foreclose liens securing the
25.14 assessments. The assessment liens shall have the same priority against secured parties,
25.15 shall include the same fees and charges, and may be foreclosed in the same manner,
25.16 as assessment liens under section 515B.3-116. The master association's lien shall have
25.17 priority as against the lien of an association or property owners' association subject to the
25.18 master association, regardless of when the lien arose or was perfected.

25.19 (1) Master association common expenses shall be allocated among the members of
25.20 the master association in a fair and equitable manner. If the members include associations
25.21 or property owners' associations, then the master assessments may be allocated among
25.22 and levied against the associations or property owners' associations, or allocated among
25.23 and levied against the units or other parcels of real estate owned by the members of the
25.24 association or property owners' association. If so provided in the master declaration,
25.25 master assessments levied against a member association or property owners' association
25.26 are allocated among and levied against the units or other parcels of real estate owned
25.27 by the members of the association or property owners' association. If applicable and
25.28 appropriate, the formulas and principles described in section 515B.2-108, subsections (b),
25.29 (c), (d), and (e), shall be used in making the allocations. The assessment formulas and
25.30 procedures described in the declarations of any common interest communities or any
25.31 instruments governing other real estate subject to the master association shall not conflict
25.32 with the formulas and procedures described in the master declaration.

25.33 (2) Subject to subsection (i), the master declaration may exempt from liability for all
25.34 or a portion of master association assessments any person authorized by subsection (c)(1)
25.35 to appoint the members of the master board, or any other person, and exempt any unit or
25.36 other parcel of real estate owned by the person from a lien for such assessments, until the

26.1 building containing the unit, or located within the boundaries of the unit or other parcel
26.2 of real estate, is substantially completed. Substantial completion shall be evidenced by a
26.3 certificate of occupancy in a jurisdiction that issues that certificate.

26.4 (i) A master association shall not be used, directly or indirectly, to avoid or nullify
26.5 any warranties or other obligations for which a declarant of a common interest community
26.6 subject to the master association is responsible, or to otherwise avoid the requirements
26.7 of this chapter.

26.8 **EFFECTIVE DATE.** This section is effective August 1, 2011.

26.9 Sec. 8. Minnesota Statutes 2010, section 515B.2-124, is amended to read:

26.10 **515B.2-124 SEVERANCE OF COMMON INTEREST COMMUNITY.**

26.11 (a) Unless the declaration provides otherwise, a part of a common interest
26.12 community containing one or more units, with or without common elements, may be
26.13 severed from the common interest community, subject to the requirements of this section.
26.14 Subject to any additional requirements contained in the declaration, the severance shall be
26.15 approved in a written severance agreement complying with this section, executed by:

26.16 (1) unit owners entitled to cast at least 67 percent of the votes in the association,
26.17 which approval shall include the approval of unit owners entitled to cast a majority of the
26.18 votes allocated to units in the remaining common interest community and the approval
26.19 of unit owners entitled to cast a majority of the votes allocated to units in the part of the
26.20 common interest community being severed;

26.21 (2) declarant until the earlier of five years after the recording of the declaration or
26.22 the time at which declarant no longer owns an unsold unit; and

26.23 (3) in the case of a cooperative, all holders of mortgages or contracts for deed on the
26.24 entire real estate constituting the cooperative.

26.25 (b) The declaration may specify a smaller percentage for unit owner approval only if
26.26 all of the units are restricted to nonresidential use.

26.27 (c) The severance agreement shall specify a severance date by which the severance
26.28 of the common interest community shall be accomplished, after which the severance
26.29 agreement is void. The severance agreement shall be deemed to grant to the association a
26.30 power of attorney coupled with an interest to effect the severance of the common interest
26.31 community on behalf of the unit owners and the holders of all other interests in the units,
26.32 including without limitations the power to execute the amendment to the declaration, any
26.33 instruments of conveyance, and all related instruments.

26.34 (d) The severance agreement shall:

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

27.1 (1) Approve an amendment to the declaration complying with this chapter, in
27.2 substantially the same form to be recorded, and an amendment to the CIC plat if
27.3 required. The declaration amendment shall, at a minimum, (i) legally describe the real
27.4 estate constituting the remaining common interest community and the real estate being
27.5 severed, (ii) restate the number of units in the remaining common interest community, (iii)
27.6 reallocate the interests of the unit owners in the remaining common interest community
27.7 among the remaining units in accordance with the allocation formula set forth in the
27.8 declaration, and (iv) recite any easements to which the severed portion of the common
27.9 interest community remains subject.

27.10 (2) Approve an amendment to the articles of incorporation and bylaws of the
27.11 remaining common interest community, if necessary.

27.12 (3) Authorize the association to execute and record the amended declaration, articles
27.13 of incorporation or bylaws on behalf of the unit owners and all other persons holding an
27.14 interest in the remaining common interest community, and to take other actions necessary
27.15 to accomplish the severance of the common interest community.

27.16 (4) Allocate the assets and liabilities of the association between the association and
27.17 (i) a new association formed pursuant to subsection (g), or (ii) the owners of the units being
27.18 severed, subject to a lien against their interest in the severed real estate or their share in the
27.19 assets of the association in favor of any person that held a security interest in their unit.

27.20 (5) If the units that are being severed from the common interest community will not
27.21 be included in a new common interest community that is (i) formed simultaneously with
27.22 the severance of the common interest community, and (ii) includes all of the units and
27.23 substantially all of the common elements being severed, then the agreement shall contain
27.24 the written consent of holders of first mortgages on all units that are being severed, and
27.25 shall describe in detail the proposed disposition of all real estate to be severed and all
27.26 assets of the association allocated to the severed units, and the distribution of the proceeds
27.27 of the disposition, if any, consistent with subsection (i).

27.28 (e) The severance agreement or a memorandum of it shall be recorded in every
27.29 county in which a part of the common interest community is located. The recording of the
27.30 severance agreement or memorandum of it shall, from the date of recording, constitute
27.31 notice to all persons subsequently acquiring an interest in the common interest community
27.32 that the common interest community is being severed, and that those persons acquire their
27.33 interests subject to the terms and conditions contained in the severance agreement and
27.34 the amendment to the declaration.

27.35 (f) The amendment to the declaration of the remaining common interest community
27.36 shall be recorded on or before the severance date or the severance agreement and the

28.1 amendment to the declaration are void as of the day after the severance date. The recording
28.2 of the amendment to the declaration shall complete the severance of the common interest
28.3 community and release the severed part of the common interest community from the
28.4 declaration without further action by any person.

28.5 (g) If the ~~unit owners whose units that~~ are being severed from the common interest
28.6 community intend to form will be included in a new common interest community, then
28.7 ~~said~~ said unit owners ~~shall, by~~ entitled to cast at least 80 percent of the votes allocated by
28.8 the existing declaration to ~~said these units, shall~~ approve a new declaration, articles of
28.9 incorporation and bylaws to govern the new common interest community no later than 60
28.10 days before the effective date of the severance agreement. However, the new declaration
28.11 shall not create, increase, or extend special declarant rights, increase the number of units,
28.12 change unit boundaries, change the formula for allocations of interests, change the use of
28.13 a unit from residential to nonresidential or conversely, or change the form of common
28.14 interest community, unless agreed to in writing by all owners whose units are being
28.15 severed. The new declaration shall be recorded simultaneously with the amendment to
28.16 the existing declaration. ~~No later than 30 days after the date of the severance agreement,~~
28.17 The articles of incorporation creating the association intended to govern the new common
28.18 interest community shall be filed with the secretary of state and ~~promptly thereafter~~ the
28.19 unit owners whose units are being severed shall elect a board of directors to act on behalf
28.20 of the new association before the recording of the new declaration. The new association
28.21 shall have a power of attorney coupled with an interest to execute and record the new
28.22 declaration, any instruments of conveyance and all related instruments on behalf of the
28.23 unit owners whose units are being severed from the common interest community, but shall
28.24 not thereby acquire any rights or obligations of a declarant. The board of directors of the
28.25 new association shall cooperate with the board of directors of the existing association to
28.26 complete the severance. The existing association shall retain all authority to act on behalf
28.27 of the common interest community until the amendment to the existing declaration and
28.28 the new declaration are recorded.

28.29 (h) The legal descriptions of the real estate constituting (i) the remaining common
28.30 interest community, and (ii) the severed portion of the common interest community shall,
28.31 at the time of recording of the amendment to the declaration referred to in subsection
28.32 (e), be as follows:

28.33 (1) In a planned community using a CIC plat that complies with section 515B.2-110,
28.34 subsection (d), the lot and block descriptions contained in the CIC plat, and any
28.35 amendments to it, with respect to (i) the remaining common interest community, and (ii)
28.36 the severed portion of the common interest community.

29.1 (2) In a condominium, or cooperative or planned community using a CIC plat that
29.2 complies with section 515B.2-110, subsection (c), (i) the CIC plat description relating
29.3 to the remaining common interest community, and (ii) the part of the underlying legal
29.4 description of the real estate in the declaration creating the common interest community,
29.5 and any amendments to it, relating to the severed part of the common interest community.

29.6 (3) The recording officer for each county in which the common interest community
29.7 is located shall index the property located in that county in its records under the legal
29.8 descriptions required by this subsection as of the date of recording of the amendment to the
29.9 declaration. In the case of registered property, the registrar of titles shall cancel the existing
29.10 certificates of title for the severed part of the common interest community and issue
29.11 certificates of title for the property using the legal descriptions required by this subsection.

29.12 (i) In a condominium or planned community, if the severed part of the common
29.13 interest community is not to be reconstituted as a new common interest community
29.14 following severance, title to all the real estate in the severed part of the common interest
29.15 community vests in the unit owners of the units being severed, upon severance, as
29.16 provided in the severance agreement.

29.17 (j) No common interest community shall be severed in such a manner as to
29.18 materially impair access, utility services, communication services, or other essential
29.19 services with respect to either the remaining common interest community or the severed
29.20 part of the common interest community.

29.21 **EFFECTIVE DATE.** This section is effective August 1, 2011.

29.22 Sec. 9. Minnesota Statutes 2010, section 515B.3-102, is amended to read:

29.23 **515B.3-102 POWERS OF UNIT OWNERS' ASSOCIATION.**

29.24 (a) Except as provided in subsections (b) and (c), and subject to the provisions of the
29.25 declaration or bylaws, the association shall have the power to:

29.26 (1) adopt, amend and revoke rules and regulations not inconsistent with the articles
29.27 of incorporation, bylaws and declaration, as follows: (i) regulating the use of the common
29.28 elements; (ii) regulating the use of the units, and conduct of unit occupants, which may
29.29 jeopardize the health, safety or welfare of other occupants, which involves noise or
29.30 other disturbing activity, or which may damage the common elements or other units;
29.31 (iii) regulating or prohibiting animals; (iv) regulating changes in the appearance of the
29.32 common elements and conduct which may damage the common interest community;
29.33 (v) regulating the exterior appearance of the common interest community, including,
29.34 for example, balconies and patios, window treatments, and signs and other displays,

30.1 regardless of whether inside a unit; (vi) implementing the articles of incorporation,
30.2 declaration and bylaws, and exercising the powers granted by this section; and (vii)
30.3 otherwise facilitating the operation of the common interest community;

30.4 (2) adopt and amend budgets for revenues, expenditures and reserves, and levy and
30.5 collect assessments for common expenses from unit owners;

30.6 (3) hire and discharge managing agents and other employees, agents, and
30.7 independent contractors;

30.8 (4) institute, defend, or intervene in litigation or administrative proceedings (i) in
30.9 its own name on behalf of itself or two or more unit owners on matters affecting the
30.10 common elements or other matters affecting the common interest community or, (ii) with
30.11 the consent of the owners of the affected units on matters affecting only those units;

30.12 (5) make contracts and incur liabilities;

30.13 (6) regulate the use, maintenance, repair, replacement, and modification of the
30.14 common elements and the units;

30.15 (7) cause improvements to be made as a part of the common elements, and, in the
30.16 case of a cooperative, the units;

30.17 (8) acquire, hold, encumber, and convey in its own name any right, title, or interest
30.18 to real estate or personal property, but (i) common elements in a condominium or planned
30.19 community may be conveyed or subjected to a security interest only pursuant to section
30.20 515B.3-112, or (ii) part of a cooperative may be conveyed, or all or part of a cooperative
30.21 may be subjected to a security interest, only pursuant to section 515B.3-112;

30.22 (9) grant or amend easements for public utilities, public rights-of-way or other
30.23 public purposes, and cable television or other communications, through, over or under
30.24 the common elements; grant or amend easements, leases, or licenses to unit owners for
30.25 purposes authorized by the declaration; and, subject to approval by a vote of unit owners
30.26 other than declarant or its affiliates, grant or amend other easements, leases, and licenses
30.27 through, over or under the common elements;

30.28 (10) impose and receive any payments, fees, or charges for the use, rental, or
30.29 operation of the common elements, other than limited common elements, and for services
30.30 provided to unit owners;

30.31 (11) impose interest and late charges for late payment of assessments and, after
30.32 notice and an opportunity to be heard before the board or a committee appointed by it,
30.33 levy reasonable fines for violations of the declaration, bylaws, and rules and regulations
30.34 of the association;

31.1 (12) impose reasonable charges for the review, preparation and recordation of
31.2 amendments to the declaration, resale certificates required by section 515B.4-107,
31.3 statements of unpaid assessments, or furnishing copies of association records;

31.4 (13) provide for the indemnification of its officers and directors, and maintain
31.5 directors' and officers' liability insurance;

31.6 (14) provide for reasonable procedures governing the conduct of meetings and
31.7 election of directors;

31.8 (15) exercise any other powers conferred by law, or by the declaration, articles
31.9 of incorporation or bylaws; and

31.10 (16) exercise any other powers necessary and proper for the governance and
31.11 operation of the association.

31.12 (b) Notwithstanding subsection (a) the declaration or bylaws may not impose
31.13 limitations on the power of the association to deal with the declarant which are more
31.14 restrictive than the limitations imposed on the power of the association to deal with other
31.15 persons.

31.16 (c) Notwithstanding subsection (a), powers exercised under this section must comply
31.17 with section 500.215.

31.18 **EFFECTIVE DATE.** This section is effective August 1, 2011.

31.19 Sec. 10. Minnesota Statutes 2010, section 515B.3-104, is amended to read:

31.20 **515B.3-104 SPECIAL DECLARANT RIGHTS; TRANSFER OF SPECIAL**
31.21 **DECLARANT RIGHTS, LIABILITY OF TRANSFEROR AND TRANSFEREE,**
31.22 **AND TERMINATION.**

31.23 ~~(a) Except as set forth in subsection (b) or (c), a special declarant right, as defined in~~
31.24 ~~section 515B.1-103(33), does not run with title and may only be transferred pursuant to~~
31.25 ~~a separate transfer instrument, titled a "Transfer of Special Declarant Rights," that both~~
31.26 ~~the transferor and the transferee execute.~~

31.27 ~~(1) A transfer shall be recorded in compliance with applicable law, and is not~~
31.28 ~~effective (i) unless recorded and (ii) unless the transferee is the owner of record of a unit~~
31.29 ~~or additional real estate at the time the transfer is recorded.~~

31.30 ~~(2) A transferor may transfer fewer than all of the special declarant rights the~~
31.31 ~~transferor holds provided that any special declarant rights not transferred are subject~~
31.32 ~~to item (i).~~

31.33 ~~(3) If as a result of a transfer there will be multiple declarants holding special~~
31.34 ~~declarant rights, the transfer shall describe the allocation of each special declarant~~

32.1 ~~right between or among the transferor and each transferee, including, at a minimum, a~~
32.2 ~~description of the units or additional real estate to which the respective special declarant~~
32.3 ~~rights apply and the name and address of the owner or owners of record of the respective~~
32.4 ~~units or additional real estate at the time the transfer is recorded.~~

32.5 ~~(b) If a declarant's ownership interest in a unit, or in additional real estate that may~~
32.6 ~~become subject to the declaration pursuant to the exercise of a special declarant right, is~~
32.7 ~~transferred to another person as a result of the foreclosure, termination, or cancellation of~~
32.8 ~~a security interest, foreclosure of a judgment lien, tax judgment sale, tax-forfeited land~~
32.9 ~~sale, sale or transfer under bankruptcy code or receivership proceedings, or other sale or~~
32.10 ~~transfer approved by a court, or is transferred by a deed in lieu of foreclosure, then all~~
32.11 ~~special declarant rights that are reserved to the declarant in the declaration and that relate~~
32.12 ~~to the units or additional real estate transferred are automatically transferred to the person~~
32.13 ~~acquiring title from the declarant, and the transfer is effective as to all special declarant~~
32.14 ~~rights, unless or until: (i) the security instrument in the case of the foreclosure, termination,~~
32.15 ~~or cancellation of a security interest, (ii) the instrument effecting the involuntary transfer,~~
32.16 ~~or (iii) a separate instrument executed by the transferee and recorded in compliance with~~
32.17 ~~applicable law within 60 days after the date the transferee acquires title to the declarant's~~
32.18 ~~ownership interest, provides for the transfer of fewer than all of the declarant's special~~
32.19 ~~declarant rights. For purposes of this subsection, the transferee shall be deemed to acquire~~
32.20 ~~title upon the expiration of the owner's period of redemption, or reinstatement in the case~~
32.21 ~~of contract for deed. The transferor shall cease to have and shall not exercise any special~~
32.22 ~~declarant right that relates to the transferor's ownership interest in the units or additional~~
32.23 ~~real estate transferred, whether or not the transferee subsequently disclaims the right,~~
32.24 ~~but the transferor retains all reserved special declarant rights that relate to its ownership~~
32.25 ~~interest that is not transferred to the transferee.~~

32.26 ~~(c) If a declarant is an individual rather than a legal entity, and the individual dies,~~
32.27 ~~then all special declarant rights that are reserved to the declarant in the declaration and~~
32.28 ~~that relate to the units or additional real estate owned by the declarant are automatically~~
32.29 ~~transferred with the title to said units or additional real estate.~~

32.30 ~~(d) A transferor's liability for the performance of obligations that this chapter~~
32.31 ~~imposes upon a declarant is as follows:~~

32.32 ~~(1) A transferor remains liable under this chapter for all obligations that this chapter~~
32.33 ~~imposes upon a declarant and arising on or before the effective date of the transfer, except~~
32.34 ~~that a transferor is not liable under section 515B.4-112 for any express warranties that~~
32.35 ~~a transferee makes to a purchaser. Except as set forth in subsection (d)(2) and (3), a~~

33.1 ~~transferor is not liable under this chapter for the performance of any obligations that this~~
33.2 ~~chapter imposes upon a declarant and arising after the effective date of the transfer.~~

33.3 ~~(2) If a transferor and a transferee are affiliates, the transferor and the transferee are~~
33.4 ~~jointly and severally liable under this chapter for the performance of all the obligations that~~
33.5 ~~this chapter imposes upon a declarant, whether such obligations arise before, on, or after~~
33.6 ~~the effective date of the transfer. Upon a subsequent transfer, a prior transferor remains~~
33.7 ~~liable to the extent its transferee remains liable under subsection (d) and is relieved of~~
33.8 ~~liability to the same extent that its transferee is relieved of liability under subsection (e).~~

33.9 ~~(3) If, following a transfer of special declarant rights, the transferor retains special~~
33.10 ~~declarant rights, the transferor and transferee are jointly and severally liable for the~~
33.11 ~~performance of all the obligations that this chapter imposes upon a declarant and that arise~~
33.12 ~~after the effective date of the transfer, except that the transferor is not liable under section~~
33.13 ~~515B.4-101(b) or 515B.4-102(b), and section 515B.4-109, 515B.4-110, 515B.4-111,~~
33.14 ~~515B.4-112, 515B.4-113, 515B.4-117, or 515B.4-118, to any purchaser from or through~~
33.15 ~~the transferee.~~

33.16 ~~(e) Except as provided in subsections (g) and (h), a transferee's liability for the~~
33.17 ~~performance of obligations that this chapter imposes upon a declarant is as follows:~~

33.18 ~~(1) Except as set forth in subsection (c)(3), a transferee is liable under this chapter for~~
33.19 ~~all obligations that this chapter imposes upon a declarant and that arise after the effective~~
33.20 ~~date of the transfer. A transferee is not liable under this chapter for the performance of~~
33.21 ~~any obligations that this chapter imposes upon a declarant and that arise before or on the~~
33.22 ~~effective date of the transfer, except that a transferee is liable under section 515B.4-112~~
33.23 ~~for any express warranties the transferee makes to a purchaser before or on the effective~~
33.24 ~~date of the transfer.~~

33.25 ~~(2) If a transferor and a transferee are affiliates, the transferor and the transferee are~~
33.26 ~~jointly and severally liable under this chapter for the performance of all the obligations that~~
33.27 ~~this chapter imposes upon a declarant, whether such obligations arise before, on, or after~~
33.28 ~~the effective date of the transfer. Upon a subsequent transfer, a prior transferor remains~~
33.29 ~~liable to the extent its transferee remains liable under subsection (d) and is relieved of~~
33.30 ~~liability to the same extent that its transferee is relieved of liability under this subsection.~~

33.31 ~~(3) If, following a transfer of special declarant rights under subsection (a) or (b),~~
33.32 ~~the transferor retains special declarant rights, the transferor and transferee are jointly and~~
33.33 ~~severally liable for the performance of all the obligations that this chapter imposes upon a~~
33.34 ~~declarant and that arise after the effective date of the transfer, except that the transferee~~
33.35 ~~is not liable under section 515B.4-101(b) or 515B.4-102(b), and section 515B.4-109,~~

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

34.1 ~~515B.4-110, 515B.4-111, 515B.4-112, 515B.4-113, 515B.4-117, or 515B.4-118, to any~~
34.2 ~~purchaser from or through the transferor.~~

34.3 ~~(f) For purposes of this section, a declarant's obligations under section 515B.3-111(a)~~
34.4 ~~arise when the tort or contract violation occurs; a declarant's obligations to a purchaser~~
34.5 ~~under section 515B.4-112 arise when the declarant makes an express warranty to the~~
34.6 ~~purchaser; and a declarant's obligations to a purchaser under sections 515B.4-113 and~~
34.7 ~~515B.4-118(a), arise when the declarant conveys a unit to the purchaser.~~

34.8 ~~(g) A transferee who acquires special declarant rights pursuant to subsection (b) and~~
34.9 ~~who is not an affiliate of the transferor may record an instrument in compliance with~~
34.10 ~~subsection (b) stating that the transferee elects to acquire only the special declarant rights~~
34.11 ~~described in section 515B.1-103(33)(i), (ii), and (iv). In that case, the transferee is liable~~
34.12 ~~as a declarant only to purchasers from said transferee and only for the obligations of a~~
34.13 ~~declarant under sections 515B.4-101(b) and 515B.4-102(b), and sections 515B.4-109,~~
34.14 ~~515B.4-110, 515B.4-111, 515B.4-113, 515B.4-117, and 515B.4-118, and for any express~~
34.15 ~~warranties under section 515B.4-112 that the transferee makes to purchasers.~~

34.16 ~~(h) A transferee who acquires special declarant rights pursuant to subsection (b) and~~
34.17 ~~who is not an affiliate of the transferor may record an instrument in compliance with~~
34.18 ~~subsection (b) stating that the transferee elects to acquire the special declarant rights~~
34.19 ~~solely for subsequent retransfer to another person who acquires title to units or additional~~
34.20 ~~real estate from said transferee. In that case, (i) the transferee may not utilize special~~
34.21 ~~declarant rights in the sale of units or otherwise sell units, except to a person who also~~
34.22 ~~acquires one or more special declarant rights the transferee holds with respect to the units~~
34.23 ~~or additional real estate sold; (ii) the transferee may not exercise any special declarant~~
34.24 ~~rights other than the rights described in section 515B.1-103(33)(v); (iii) the transferee is~~
34.25 ~~not liable to make up any operating deficit under section 515B.3-115(a)(2), and (iv) the~~
34.26 ~~transferee is liable as a declarant only for the obligations of a declarant under sections~~
34.27 ~~515B.3-103, 515B.3-111, and 515B.3-120, as applicable. A transferee who makes the~~
34.28 ~~election described in this subsection may subsequently rescind the election in whole~~
34.29 ~~or in part by recording an instrument in compliance with applicable law, and upon the~~
34.30 ~~recording of such an instrument the transferee's rights and obligations as a declarant shall~~
34.31 ~~be as otherwise set forth in this section.~~

34.32 ~~(i) A special declarant right held by a declarant terminates upon the earlier of: (i) that~~
34.33 ~~declarant's voluntary surrender of the special declarant right by giving written notice to the~~
34.34 ~~unit owners pursuant to section 515B.1-115; or (ii) the conveyance, whether voluntary~~
34.35 ~~or involuntary, by that declarant, of all of the units and additional real estate owned by~~
34.36 ~~that declarant, unless immediately after the conveyance the special declarant right is~~

35.1 ~~transferred to the grantee. All special declarant rights terminate ten years after the date of~~
35.2 ~~the first conveyance of a unit to a person other than a declarant unless extended by the~~
35.3 ~~vote or written agreement of unit owners entitled to cast at least 67 percent of the votes~~
35.4 ~~allocated to units not owned by a declarant.~~

35.5 ~~(j) No person shall exercise special declarant rights unless, at the time of exercise,~~
35.6 ~~the person holds title of record to one or more units or additional real estate. Any exercise~~
35.7 ~~of a special declarant right in violation of this section shall be void, and the person~~
35.8 ~~attempting to exercise the right shall be liable for all damages and costs arising from its~~
35.9 ~~actions. Nothing in this section shall subject any transferee of a special declarant right to~~
35.10 ~~any claims against or other obligations of a transferor, other than claims and obligations~~
35.11 ~~arising under this chapter, or the declaration or bylaws.~~

35.12 (a) A special declarant right created or reserved under this chapter may be
35.13 voluntarily transferred only by a separate instrument evidencing the transfer recorded
35.14 in every county in which any part of the common interest community is located. The
35.15 separate instrument shall be recorded against all units in the common interest community,
35.16 or in the case of a cooperative, against the real estate owned by the cooperative, or in
35.17 the case of a condominium on registered land, the instrument must be filed pursuant to
35.18 section 508.351, subdivision 3, or 508A.351, subdivision 3. The instrument may provide
35.19 for the conveyance of less than all of the special declarant rights, and is not effective
35.20 unless executed by the transferor and transferee. A deed in lieu of foreclosure, or other
35.21 conveyance arising out of a foreclosure or cancellation, shall not be deemed a voluntary
35.22 transfer within the meaning of this section.

35.23 (b) Upon the voluntary transfer of any special declarant right, the liability of a
35.24 transferor declarant is as follows:

35.25 (1) A transferor is not relieved of any obligation or liability arising before the
35.26 transfer and remains liable for warranty obligations imposed on the transferor by this
35.27 chapter. Lack of privity does not deprive any unit owner of standing to maintain an action
35.28 to enforce any obligation of the transferor.

35.29 (2) If a successor to any special declarant right is an affiliate of a declarant, the
35.30 transferor is jointly and severally liable with the successor for any obligations or liabilities
35.31 of the successor relating to the common interest community.

35.32 (3) If a transferor retains any special declarant rights, but transfers other special
35.33 declarant rights to a successor who is not an affiliate of the declarant, the transferor is
35.34 liable for any obligations or liabilities imposed on a declarant by this chapter or by the
35.35 declaration relating to the retained special declarant rights and arising before or after
35.36 the transfer.

36.1 (4) A transferor has no liability for any act or omission or any breach of a contractual
36.2 or warranty obligation arising from the exercise of a special declarant right by a successor
36.3 declarant who is not an affiliate of the transferor.

36.4 (c) Upon the voluntary transfer of any special declarant right, the liability of a
36.5 successor declarant is as follows:

36.6 (1) A successor to any special declarant right who is an affiliate of a declarant is
36.7 subject to all obligations and liabilities imposed on the transferor by this chapter or the
36.8 declaration.

36.9 (2) A successor to any special declarant right who is not an affiliate of a declarant
36.10 is subject to all obligations and liabilities imposed by this chapter or by the declaration,
36.11 except:

36.12 (i) misrepresentations by any previous declarant;

36.13 (ii) warranty obligations on improvements made by any previous declarant, or made
36.14 before the common interest community was created;

36.15 (iii) breach of any fiduciary obligation by any previous declarant or the declarant's
36.16 appointees to the board;

36.17 (iv) any liability or obligation imposed on the transferor as a result of the transferor's
36.18 acts or omissions after the transfer; and

36.19 (v) any liability arising out of a special declarant right which was not transferred as
36.20 provided in subsection (a).

36.21 (d) In case of foreclosure of a mortgage or cancellation of a contract for deed or
36.22 other security interest (or conveyance in lieu thereof), sale by a trustee under an agreement
36.23 creating a security interest, tax sale, judicial sale, or sale under bankruptcy code or
36.24 receivership proceedings, of any units or additional real estate, or interest therein, owned
36.25 by a declarant, a person acquiring title to the property or interests succeeds to all special
36.26 declarant rights related to the property or interests held by that declarant and acquired by it
36.27 unless (i) the mortgage instrument or other instrument creating the security interest, (ii) the
36.28 instrument conveying title, or (iii) a separate instrument signed by the person and recorded
36.29 within 60 days after the person acquires title to the property or interests, provides for
36.30 transfer of less than all special declarant rights. The separate instrument need be recorded
36.31 only against the title to the units or interests other than those being acquired under this
36.32 subsection, or in the case of a cooperative, against the real estate owned by the cooperative.

36.33 The declarant shall cease to have or exercise any special declarant rights which are
36.34 transferred. If the person has limited the transfer of certain special declarant rights as
36.35 provided in this subsection, then it and its successor's liability shall be limited, as follows:

37.1 (1) If the person or its successor limits its rights and liabilities only to maintain
37.2 models, sales office and signs, and if that party is not an affiliate of a declarant, it is not
37.3 subject to any liability or obligations as a declarant, except the obligation to provide a
37.4 disclosure statement and any liability arising from that obligation, and it may not exercise
37.5 any other special declarant rights.

37.6 (2) If the person or its successor is not an affiliate of a declarant, it may declare its
37.7 intention in a recorded instrument as provided in subsection (a) to acquire all special
37.8 declarant rights and hold those rights solely for transfer to another person. Thereafter, until
37.9 the special declarant rights are transferred to a person acquiring title to any unit owned by
37.10 the successor, or until a separate instrument is recorded permitting exercise of all of those
37.11 rights, that successor may not exercise any of those rights other than the right to control
37.12 the board of directors in accordance with the provisions of section 515B.3-103 for the
37.13 duration of any period of declarant control. So long as any successor may not exercise its
37.14 special declarant rights under this subsection, it is not subject to any liability or obligation
37.15 as a declarant other than liability for its acts and omissions under section 515B.3-103.

37.16 (e) Any attempted exercise by a purported successor to a special declarant right
37.17 which is not transferred as provided in this section is void, and any purported successor
37.18 attempting to exercise that right shall be liable for any damages arising out of its actions.

37.19 (f) Nothing in this section shall subject any successor to a special declarant right to
37.20 any claims against or other obligations of a transferor declarant, other than claims and
37.21 obligations arising under this chapter, or the declaration or bylaws.

37.22 (g) This section applies only to transfers of special declarant rights that are effective
37.23 before August 1, 2010.

37.24 **EFFECTIVE DATE.** This section is effective the day following final enactment.

37.25 Sec. 11. **[515B.3-1041] SPECIAL DECLARANT RIGHTS; TRANSFER OF**
37.26 **SPECIAL DECLARANT RIGHTS, LIABILITY OF TRANSFEROR AND**
37.27 **TRANSFeree, AND TERMINATION.**

37.28 (a) Except as set forth in subsection (b) or (c), a special declarant right, as defined in
37.29 section 515B.1-103(33), does not run with title and may only be transferred pursuant to
37.30 a separate transfer instrument, titled a "Transfer of Special Declarant Rights," that both
37.31 the transferor and the transferee execute.

37.32 (1) A transfer shall be recorded in compliance with applicable law, and is not
37.33 effective unless the transferee is the owner of record of a unit or additional real estate at
37.34 the time the transfer is recorded. Transfers recorded on or after the effective date of this
37.35 section shall be recorded against title to all units in the common interest community.

38.1 (2) A transferor may transfer fewer than all of the special declarant rights the
38.2 transferor holds provided that any special declarant rights not transferred are subject
38.3 to item (i).

38.4 (3) If as a result of a transfer there will be multiple declarants holding special
38.5 declarant rights, the transfer shall describe the allocation of each special declarant
38.6 right between or among the transferor and each transferee, including, at a minimum, a
38.7 description of the units or additional real estate to which the respective special declarant
38.8 rights apply and the name and address of the owner or owners of record of the respective
38.9 units or additional real estate at the time the transfer is recorded.

38.10 (b) If a declarant's ownership interest in a unit, or in additional real estate that may
38.11 become subject to the declaration pursuant to the exercise of a special declarant right, is
38.12 transferred to another person as a result of the foreclosure, termination, or cancellation
38.13 of a security interest, foreclosure of a judgment lien, tax judgment sale, tax forfeited
38.14 landsale, sale or transfer under bankruptcy code or receivership proceedings, or other sale
38.15 or transfer approved by a court, or is transferred by a deed in lieu of foreclosure, then all
38.16 special declarant rights that are reserved to the declarant in the declaration and that relate
38.17 to the units or additional real estate transferred are automatically transferred to the person
38.18 acquiring title from the declarant, and the transfer is effective as to all special declarant
38.19 rights, unless or until: (i) the security instrument in the case of the foreclosure, termination,
38.20 or cancellation of a security interest, (ii) the instrument effecting the involuntary transfer,
38.21 or (iii) a separate instrument executed by the transferee and recorded in compliance with
38.22 applicable law within 60 days after the date the transferee acquires title to the declarant's
38.23 ownership interest, provides for the transfer of fewer than all of the declarant's special
38.24 declarant rights. From and after the effective date of this section, a separate instrument
38.25 recorded pursuant to subsection (b), item (iii), shall be recorded against title to all units
38.26 in the common interest community. For purposes of this subsection, the transferee shall
38.27 be deemed to acquire title upon the expiration of the owner's period of redemption, or
38.28 reinstatement in the case of contract for deed. The transferor shall cease to have and shall
38.29 not exercise any special declarant right that relates to the transferor's ownership interest in
38.30 the units or additional real estate transferred, whether or not the transferee subsequently
38.31 disclaims the right, but the transferor retains all reserved special declarant rights that relate
38.32 to its ownership interest that is not transferred to the transferee.

38.33 (c) If a declarant is an individual rather than a legal entity, and the individual dies,
38.34 than all special declarant rights that are reserved to the declarant in the declaration and
38.35 that relate to the units or additional real estate owned by the declarant are automatically
38.36 transferred with the title to said units or additional real estate.

39.1 (d) A transferor's liability for the performance of obligations that this chapter
39.2 imposes upon a declarant is as follows:

39.3 (1) A transferor remains liable under this chapter for all obligations that this chapter
39.4 imposes upon a declarant that arise on or before the effective date of the transfer, except
39.5 that a transferor is not liable under section 515B.4-112 for any express warranties that a
39.6 transferee makes to a purchaser. Except as set forth in subsection (d), clauses (2) and (3), a
39.7 transferor is not liable under this chapter for the performance of any obligations that this
39.8 chapter imposes upon a declarant and arising after the effective date of the transfer.

39.9 (2) If a transferor and a transferee are affiliates, the transferor and the transferee are
39.10 jointly and severally liable under this chapter for the performance of all the obligations that
39.11 this chapter imposes upon a declarant, whether such obligations arise before, on, or after
39.12 the effective date of the transfer. Upon a subsequent transfer, a prior transferor remains
39.13 liable to the extent its transferee remains liable under subsection (d) and is relieved of
39.14 liability to the same extent that its transferee is relieved of liability under subsection (e).

39.15 (3) If, following a transfer of special declarant rights, the transferor retains special
39.16 declarant rights, the transferor and transferee are jointly and severally liable for the
39.17 performance of all the obligations that this chapter imposes upon a declarant and that arise
39.18 after the effective date of the transfer, except that the transferor is not liable under section
39.19 515B.4-101(b) or 515B.4-102(b), and section 515B.4-109, 515B.4-110, 515B.4-111,
39.20 515B.4-112, 515B.4-113, 515B.4-117, or 515B.4-118, to any purchaser from or through
39.21 the transferee.

39.22 (e) Except as provided in subsections (g) and (h), a transferee's liability for the
39.23 performance of obligations that this chapter imposes upon a declarant is as follows:

39.24 (1) Except as set forth in subsection (e), clause (3), a transferee is liable under this
39.25 chapter for all obligations that this chapter imposes upon a declarant and that arise after
39.26 the effective date of the transfer. A transferee is not liable under this chapter for the
39.27 performance of any obligations that this chapter imposes upon a declarant and that arise
39.28 before or on the effective date of the transfer, except that a transferee is liable under
39.29 section 515B.4-112 for any express warranties the transferee makes to a purchaser before
39.30 or on the effective date of the transfer.

39.31 (2) If a transferor and a transferee are affiliates, the transferor and the transferee are
39.32 jointly and severally liable under this chapter for the performance of all the obligations that
39.33 this chapter imposes upon a declarant, whether such obligations arise before, on, or after
39.34 the effective date of the transfer. Upon a subsequent transfer, a prior transferor remains
39.35 liable to the extent its transferee remains liable under subsection (d) and is relieved of
39.36 liability to the same extent that its transferee is relieved of liability under this subsection.

40.1 (3) If, following a transfer of special declarant rights under subsection (a) or (b),
40.2 the transferor retains special declarant rights, the transferor and transferee are jointly and
40.3 severally liable for the performance of all the obligations that this chapter imposes upon a
40.4 declarant and that arise after the effective date of the transfer, except that the transferee
40.5 is not liable under section 515B.4-101(b) or 515B.4-102(b), and section 515B.4-109,
40.6 515B.4-110, 515B.4-111, 515B.4-112, 515B.4-113, 515B.4-117, or 515B.4-118, to any
40.7 purchaser from or through the transferor.

40.8 (f) For purposes of this section, a declarant's obligations under section 515B.3-111(a)
40.9 arise when the tort or contract violation occurs, a declarant's obligations to a purchaser
40.10 under section 515B.4-112 arise when the declarant makes an express warranty to the
40.11 purchaser and a declarant's obligations to a purchaser under sections 515B.4-113 and
40.12 515B.4-118(a) arise when the declarant conveys a unit to the purchaser.

40.13 (g) A transferee who acquires special declarant rights pursuant to subsection (b) and
40.14 who is not an affiliate of the transferor may record an instrument in compliance with
40.15 subsection (b) stating that the transferee elects to acquire only the special declarant rights
40.16 described in section 515B.1-103(33)(i), (ii), and (iv). In that case, the transferee is liable
40.17 as a declarant only to purchasers from said transferee and only for the obligations of a
40.18 declarant under sections 515B.4-101(b) and 515B.4-102(b), and sections 515B.4-109,
40.19 515B.4-110, 515B.4-111, 515B.4-113, 515B.4-117, and 515B.4-118, and for any express
40.20 warranties under section 515B.4-112 that the transferee makes to purchasers.

40.21 (h) A transferee who acquires special declarant rights pursuant to subsection (b) and
40.22 who is not an affiliate of the transferor may record an instrument in compliance with
40.23 subsection (b) stating that the transferee elects to acquire the special declarant rights
40.24 solely for subsequent retransfer to another person who acquires title to units or additional
40.25 real estate from said transferee. In that case, (i) the transferee may not utilize special
40.26 declarant rights in the sale of units or otherwise sell units, except to a person who also
40.27 acquires one or more special declarant rights the transferee holds with respect to the units
40.28 or additional real estate sold; (ii) the transferee may not exercise any special declarant
40.29 rights other than the rights described in section 515B.1-103(33)(v); (iii) the transferee is
40.30 not liable to make up any operating deficit under section 515B.3-115(a)(2); and (iv) the
40.31 transferee is liable as a declarant only for the obligations of a declarant under sections
40.32 515B.3-103, 515B.3-111, and 515B.3-120, as applicable. A transferee who makes the
40.33 election described in this subsection may subsequently rescind the election in whole
40.34 or in part by recording an instrument in compliance with applicable law, and upon the
40.35 recording of such an instrument the transferee's rights and obligations as a declarant shall
40.36 be as otherwise set forth in this section.

41.1 (i) Nothing in this section shall subject any transferee of a special declarant right to
41.2 any claims against or other obligations of a transferor, other than claims and obligations
41.3 arising under this chapter, or the declaration or bylaws.

41.4 (j) A special declarant right held by a declarant terminates upon the earlier of: (i) that
41.5 declarant's voluntary surrender of the special declarant right by giving written notice to the
41.6 unit owners pursuant to section 515B.1-115; or (ii) the conveyance, whether voluntary
41.7 or involuntary, by that declarant, of all of the units and additional real estate owned by
41.8 that declarant, unless immediately after the conveyance the special declarant right is
41.9 transferred to the grantee. All special declarant rights terminate ten years after the date of
41.10 the first conveyance of a unit to a person other than a declarant unless extended by the
41.11 vote or written agreement of unit owners entitled to cast at least 67 percent of the votes
41.12 allocated to units not owned by a declarant.

41.13 (k) No person shall exercise special declarant rights unless, at the time of exercise,
41.14 the person holds title of record to one or more units or additional real estate. Any
41.15 exercise of a special declarant right in violation of this section shall be void, and the
41.16 person attempting to exercise the right shall be liable for all damages and costs arising
41.17 from its actions.

41.18 (l) Subsections (a) through (i) of this section apply only to transfers of special
41.19 declarant rights that are effective on or after August 1, 2010. Subsections (j) and (k) of
41.20 this section apply only to special declarant rights reserved in a declaration that is first
41.21 recorded on or after August 1, 2010.

41.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

41.23 Sec. 12. Minnesota Statutes 2010, section 515B.3-105, is amended to read:

41.24 **515B.3-105 TERMINATION OF CONTRACTS, LEASES, LICENSES.**

41.25 ~~(a) If entered into prior to termination of the period of declarant control, (i) any~~
41.26 ~~management, employment, maintenance, or operations contract or any lease or license~~
41.27 ~~of recreational, parking, or storage facilities, that is binding on the association; (ii) any~~
41.28 ~~other contract, lease, or license entered into by the association, a declarant or an affiliate of~~
41.29 ~~a declarant that is binding on the association; or (iii) any contract, lease, or license that~~
41.30 ~~is binding on the association or all unit owners other than a declarant or an affiliate of a~~
41.31 ~~declarant which is not bona fide or which was unconscionable to the association or the unit~~
41.32 ~~owners at the time entered into under the circumstances then prevailing, may be terminated~~
41.33 ~~without penalty by the association under the procedures described in this section.~~

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

42.1 ~~(b) If entered into prior to the termination of the period of master developer control~~
42.2 ~~described in section 515B.2-121, subsection (c), paragraph (1), a contract, lease, or license~~
42.3 ~~of a type described in subsection (a) is entered into by the master developer and is binding~~
42.4 ~~upon the master association, then the master association may terminate the contract, lease,~~
42.5 ~~or license under the procedures described in this section.~~

42.6 ~~(c) Termination shall be upon no less than 90 days' notice. Notice of termination~~
42.7 ~~shall be given by the association or master association, as applicable, in accordance with~~
42.8 ~~section 515B.1-115; provided, that notice shall be effective only if given within two~~
42.9 ~~years following the termination of the period of declarant control or the period of master~~
42.10 ~~developer control, as applicable.~~

42.11 ~~(d) This section does not apply to the following, provided that the rights and~~
42.12 ~~obligations created by the referenced instruments are (i) bona fide and not unconscionable~~
42.13 ~~as contemplated by subsection (a)(iii); and (ii) disclosed to the purchaser of the unit in~~
42.14 ~~the disclosure statement required by section 515B.4-102:~~

42.15 ~~(1) a lease the termination of which would terminate the common interest~~
42.16 ~~community;~~

42.17 ~~(2) in the case of a cooperative, a mortgage or contract for deed encumbering~~
42.18 ~~real estate owned by the association, except that if the mortgage or contract for deed~~
42.19 ~~contains a contractual obligation involving a type of contract, lease, or license which~~
42.20 ~~may be terminated pursuant to subsection (a) or (b), then that contractual obligation may~~
42.21 ~~be terminated pursuant to subsection (c);~~

42.22 ~~(3) an agreement between a declarant, an affiliate of a declarant, or a master~~
42.23 ~~developer, and any governmental entity, if such agreement is necessary to obtain~~
42.24 ~~governmental approvals, provide financing under any type of government program, or~~
42.25 ~~provide for governmentally required access, conservation, drainage, utilities, or other~~
42.26 ~~public purpose; or~~

42.27 ~~(4) subject to the requirements of section 515B.4-110 (a), a lease, easement,~~
42.28 ~~covenant, condition, or restriction that (i) is recorded before the recording of the~~
42.29 ~~declaration, and (ii) runs in favor of a person other than a declarant or an affiliate of a~~
42.30 ~~declarant.~~

42.31 (a) If entered into prior to termination of the period of declarant control, (i) any
42.32 management contract, employment contract, or lease of recreational facilities, or garages
42.33 or other parking facilities, (ii) any contract, lease, or license binding the association, and to
42.34 which a declarant or an affiliate of a declarant is a party, or (iii) any contract, lease, or
42.35 license binding the association or any unit owner other than the declarant or an affiliate of
42.36 the declarant which is not bona fide or which was unconscionable to the unit owners at

43.1 the time entered into under the circumstances then prevailing, may be terminated without
43.2 penalty by the association under the procedures described in this section.

43.3 (b) If prior to expiration of the suspension period described in section 515B.2-121,
43.4 subsection (c), paragraph (3), a contract, lease, or license of a type described in subsection
43.5 (a) is entered into by a person having authority to appoint the directors of the master
43.6 association and is binding upon the master association, then the master association, and
43.7 not any association, may terminate the contract, lease, or license under the procedures
43.8 described in this section.

43.9 (c) Termination shall be upon no less than 90 days' notice. Notice of termination
43.10 shall be given by the association or master association, as applicable, in accordance with
43.11 section 515B.1-115; provided, that notice shall be effective only if given within two years
43.12 following the termination of the period of declarant control or the suspension period
43.13 described in section 515B.2-121, subsection (c), paragraph (3), as applicable.

43.14 (d) This section does not apply to:

43.15 (1) any lease the termination of which would terminate the common interest
43.16 community;

43.17 (2) in the case of a cooperative, a mortgage or contract for deed encumbering
43.18 real estate owned by the association, except that if the mortgage or contract for deed
43.19 contains a contractual obligation involving a type of contract, lease, or license which may
43.20 be terminated pursuant to subsection (a) or (b), then that contractual obligation may be
43.21 terminated pursuant to subsection (c); or

43.22 (3) an agreement between a declarant or an affiliate of a declarant, or a person
43.23 having authority pursuant to section 515B.2-121, subsection (c), paragraph (3), to appoint
43.24 the directors of the master association, and any governmental entity, if such agreement
43.25 is necessary to obtain governmental approvals, provide financing under any type of
43.26 government program, or provide for governmentally required access, conservation,
43.27 drainage, or utilities.

43.28 (e) This section applies only to common interest communities created before August
43.29 1, 2010.

43.30 **EFFECTIVE DATE.** This section is effective the day following final enactment.

43.31 **Sec. 13. [515B.3-1051] TERMINATION OF CONTRACTS, LEASES,**
43.32 **LICENSES.**

43.33 (a) If entered into prior to termination of the period of declarant control, (i) any
43.34 management, employment, maintenance, or operations contract or any lease or license of
43.35 recreational, parking, or storage facilities, that is binding on the association; (ii) any other

44.1 contract, lease, or license entered into by the association, a declarant or an affiliate of a
44.2 declarant that is binding on the association; or (iii) any contract, lease, or license that is
44.3 binding on the association or all unit owners other than a declarant or an affiliate of the
44.4 declarant which is not bona fide or which was unconscionable to the association or the unit
44.5 owners at the time entered into under the circumstances then prevailing, may be terminated
44.6 without penalty by the association under the procedures described in this section.

44.7 (b) If entered into prior to the termination of the period of master developer control
44.8 described in section 515B.2-121, subsection (c), paragraph (1), a contract, lease, or license
44.9 of a type described in subsection (a) is entered into by the master developer and is binding
44.10 upon the master association, then the master association may terminate the contract, lease,
44.11 or license under the procedures described in this section.

44.12 (c) Termination shall be upon no less than 90 days' notice. Notice of termination
44.13 shall be given by the association or master association, as applicable, in accordance with
44.14 section 515B.1-115; provided that notice shall be effective only if given within two years
44.15 following the termination of the period of declarant control or the period of master
44.16 developer control, as applicable.

44.17 (d) This section does not apply to the following, provided that the rights and
44.18 obligations created by the referenced instruments are (i) bona fide and not unconscionable
44.19 as contemplated by subsection (a), item (iii); and (ii) disclosed to the purchaser of the unit
44.20 in the disclosure statement required by section 515B.4-102:

44.21 (1) a lease the termination of which would terminate the common interest
44.22 community;

44.23 (2) in the case of a cooperative, a mortgage or contract for deed encumbering
44.24 real estate owned by the association, except that if the mortgage or contract for deed
44.25 contains a contractual obligation involving a type of contract, lease, or license which
44.26 may be terminated pursuant to subsection (a) or (b), then that contractual obligation may
44.27 be terminated pursuant to subsection (c);

44.28 (3) an agreement between a declarant or an affiliate of a declarant, or a master
44.29 developer, and any governmental entity, if such agreement is necessary to obtain
44.30 governmental approvals, provide financing under any type of government program, or
44.31 provide for governmentally required access, conservation, drainage, utilities, or other
44.32 public purpose;

44.33 (4) subject to the requirements of section 515B.4-110(a), a lease, easement,
44.34 covenant, condition, or restriction that is recorded before the recording of the declaration,
44.35 to the extent that it benefits a person other than a declarant or an affiliate of a declarant; or

44.36 (5) a license granted by a declarant pursuant to section 515B.2-109(e).

45.1 (e) This section applies only to common interest communities created on or after
45.2 August 1, 2010.

45.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

45.4 Sec. 14. Minnesota Statutes 2010, section 515B.3-114, is amended to read:

45.5 **515B.3-114 REPLACEMENT RESERVES; SURPLUS FUNDS.**

45.6 ~~(a) The association shall include in its annual budgets replacement reserves projected~~
45.7 ~~by the board to be adequate, together with past and future contributions to replacement~~
45.8 ~~reserves to fund the replacement of those components of the common interest community~~
45.9 ~~which the association is obligated to replace by reason of ordinary wear and tear or~~
45.10 ~~obsolescence, subject to the following:~~

45.11 ~~(1) The amount annually budgeted for replacement reserves shall be adequate,~~
45.12 ~~together with past and future contributions to replacement reserves, to replace the~~
45.13 ~~components as determined based upon the estimated remaining useful life of each~~
45.14 ~~component, provided that portions of replacement reserves need not be segregated for~~
45.15 ~~the replacement of specific components.~~

45.16 ~~(2) Unless otherwise required by the declaration, annual budgets need not include~~
45.17 ~~reserves for the replacement of (i) components that have a remaining useful life of more~~
45.18 ~~than 30 years, or (ii) components whose replacement will be funded by assessments~~
45.19 ~~authorized under section 515B.3-115(c)(1), or approved in compliance with clause (5).~~

45.20 ~~(3) The association shall keep the replacement reserves in an account or accounts~~
45.21 ~~separate from the association's operating funds, and shall not use or borrow from the~~
45.22 ~~replacement reserves to fund the association's operating expenses, provided that this~~
45.23 ~~restriction shall not affect the association's authority to pledge the replacement reserves~~
45.24 ~~as security for a loan to the association.~~

45.25 ~~(4) The association shall reevaluate the adequacy of its budgeted replacement~~
45.26 ~~reserves at least every third year after the recording of the declaration creating the~~
45.27 ~~common interest community.~~

45.28 ~~(5) Unless otherwise required by the declaration, after the termination of the period~~
45.29 ~~of declarant control, and subject to approval (i) by the board and (ii) by unit owners,~~
45.30 ~~other than declarant or its affiliates, of units to which 51 percent of the votes in the~~
45.31 ~~association are allocated, the association need not annually assess for replacement reserves~~
45.32 ~~to replace those components whose replacement is planned to be paid for by special~~
45.33 ~~assessments levied under section 515B.3-115(c), or by assessments levied under section~~
45.34 ~~515B.3-115(c)(2). The approval provided for in the preceding sentence shall be effective~~

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

46.1 ~~for no more than the association's current and three following fiscal years, subject to~~
46.2 ~~modification or renewal by the same approval standards.~~

46.3 ~~(6) Unless otherwise required by the declaration, subsection (a) shall not apply to a~~
46.4 ~~common interest community which is restricted to nonresidential use.~~

46.5 ~~(b) Unless the declaration provides otherwise, any surplus funds that the association~~
46.6 ~~has remaining after payment of or provision for common expenses and reserves shall be~~
46.7 ~~(i) credited to the unit owners to reduce their future common expense assessments or (ii)~~
46.8 ~~credited to reserves, or any combination thereof, as determined by the board of directors.~~

46.9 (a) The annual budgets of the association shall provide from year to year, on a
46.10 cumulative basis, for adequate reserve funds to cover the replacement of those parts of
46.11 the common interest community which the association is obligated to replace. These
46.12 reserve requirements shall not apply to a common interest community which is restricted
46.13 to nonresidential use.

46.14 (b) Unless the declaration provides otherwise, any surplus funds that the association
46.15 has remaining after payment of or provision for common expenses and reserves shall be
46.16 (i) credited to the unit owners to reduce their future common expense assessments or (ii)
46.17 credited to reserves, or any combination thereof, as determined by the board of directors.

46.18 (c) This section applies to common interest communities only for their fiscal years
46.19 commencing before January 1, 2012.

46.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

46.21 **Sec. 15. [515B.3-1141] REPLACEMENT RESERVES.**

46.22 (a) The association shall include in its annual budgets replacement reserves projected
46.23 by the board to be adequate, together with past and future contributions to replacement
46.24 reserves, to fund the replacement of those components of the common interest community
46.25 which the association is obligated to replace by reason of ordinary wear and tear or
46.26 obsolescence, subject to the following:

46.27 (1) The amount annually budgeted for replacement reserves shall be adequate,
46.28 together with past and future contributions to replacement reserves, to replace the
46.29 components as determined based upon the estimated remaining useful life of each
46.30 component; provided that portions of replacement reserves need not be segregated for
46.31 the replacement of specific components.

46.32 (2) Unless otherwise required by the declaration, annual budgets need not include
46.33 reserves for the replacement of (i) components that a remaining useful life of more than 30
46.34 years, or (ii) components whose replacement will be funded by assessments authorized
46.35 under section 515B.3-1151(e)(1), or approved in compliance with clause (5).

47.1 (3) The association shall keep the replacement reserves in an account or accounts
47.2 separate from the association's operating funds, and shall not use or borrow from the
47.3 replacement reserves to fund the association's operating expenses, provided that this
47.4 restriction shall not affect the association's authority to pledge the replacement reserves
47.5 as security for a loan to the association.

47.6 (4) The association shall reevaluate the adequacy of its budgeted replacement
47.7 reserves at least every third year after the recording of the declaration creating the
47.8 common interest community.

47.9 (5) Unless otherwise required by the declaration, after the termination of the period
47.10 of declarant control, and subject to approval by (i) the board, and (ii) unit owners,
47.11 other than the declarant or its affiliates, of units to which 51 percent of the votes in the
47.12 association are allocated, the association need not annually assess for replacement reserves
47.13 to replace those components whose replacement is planned to be paid for by special
47.14 assessments, if the declaration authorizes special assessments, or by assessments levied
47.15 under section 515B.3-1151(e)(2). The approval provided for in the preceding sentence
47.16 shall be effective for no more than the association's current and three following fiscal
47.17 years, subject to modification or renewal by the same approval standards.

47.18 (6) Unless otherwise required by the declaration, subsection (a) shall not apply to a
47.19 common interest community which is restricted to nonresidential use.

47.20 (b) Unless the declaration provides otherwise, any surplus funds that the association
47.21 has remaining after payment of or provision for common expenses and reserves shall be
47.22 (i) credited to the unit owners to reduce their future common expense assessments or (ii)
47.23 credited to reserves, or any combination thereof, as determined by the board of directors.

47.24 (c) This section applies to common interest communities only for their fiscal years
47.25 commencing on or after January 1, 2012.

47.26 **EFFECTIVE DATE.** This section is effective the day following final enactment.

47.27 Sec. 16. Minnesota Statutes 2010, section 515B.3-115, is amended to read:

47.28 **515B.3-115 ASSESSMENTS FOR COMMON EXPENSES.**

47.29 ~~(a) The association shall approve an annual budget of common expenses at or prior~~
47.30 ~~to the conveyance of the first unit in the common interest community to a purchaser and~~
47.31 ~~annually thereafter. The annual budget shall include all customary and necessary operating~~
47.32 ~~expenses and replacement reserves for the common interest community, consistent~~
47.33 ~~with this section and section 515B.3-114. For purposes of replacement reserves under~~
47.34 ~~subsection (b), until an annual budget has been approved, the reserves shall be paid based~~

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

48.1 ~~upon the budget contained in the disclosure statement required by section 515B.4-102.~~
48.2 The obligation of a unit owner to pay common ~~expenses~~ expense assessments shall be
48.3 as follows:

48.4 (1) If a common expense assessment has not been levied ~~by the association~~, the
48.5 declarant shall pay all ~~common operating~~ expenses of the common interest community,
48.6 ~~including the payment of and shall fund~~ the replacement reserve component of the
48.7 common expenses ~~for all units in compliance with~~ as required by subsection (b).

48.8 (2) If a common expense assessment has been levied ~~by the association~~, all unit
48.9 owners, including the declarant, shall pay the assessments ~~levied against~~ allocated to their
48.10 units, ~~except as follows~~ subject to the following:

48.11 (i) ~~If the declaration may provide for an alternate common expense plan whereby~~
48.12 ~~the declarant's common expense liability, and the corresponding assessment lien against~~
48.13 ~~the units owned by the declarant, is limited to: (A) paying when due, in compliance~~
48.14 ~~with subsection (b), an amount equal to the full share of replacement reserves allocated~~
48.15 ~~to units owned by the declarant, as set forth in the association's annual budget approved~~
48.16 ~~as provided in this subsection, and (B) paying when due all accrued expenses of the~~
48.17 ~~common interest community in excess of the aggregate assessments payable with respect~~
48.18 ~~to units owned by persons other than a declarant, provided that the alternate common~~
48.19 ~~expense plan shall not affect a declarant's obligation to make up any operating deficit~~
48.20 ~~pursuant to item (iv), and shall terminate upon the termination of any period of declarant~~
48.21 ~~control unless terminated earlier pursuant to item (iii) so provides, a declarant's liability,~~
48.22 and the assessment lien, for the common expense assessments, exclusive of replacement
48.23 reserves, on any unit owned by the declarant may be limited to 25 percent or more of any
48.24 assessment, exclusive of replacement reserves, until the unit or any building located in the
48.25 unit is substantially completed. Substantial completion shall be evidenced by a certificate
48.26 of occupancy in any jurisdiction that issues the certificate.

48.27 (ii) ~~If the alternate common expense plan may be authorized only by including in~~
48.28 ~~the declaration and the disclosure statement required by section 515B.4-102 provisions~~
48.29 ~~authorizing and disclosing the alternate common expense plan as described in item (i),~~
48.30 ~~and including in the disclosure statement either (A) a statement that the alternate common~~
48.31 ~~expense plan will have no effect on the level of services or amenities anticipated by the~~
48.32 ~~association's budget contained in the disclosure statement, or (B) a statement describing~~
48.33 ~~how the services or amenities may be affected~~ declaration provides for a reduced
48.34 assessment pursuant to paragraph (2)(i), the declarant shall be obligated, within 60 days
48.35 following the termination of the period of declarant control, to make up any operating
48.36 deficit incurred by the association during the period of declarant control. The existence

49.1 and amount, if any, of the operating deficit shall be determined using the accrual basis
49.2 of accounting applied as of the date of termination of the period of declarant control,
49.3 regardless of the accounting methodology previously used by the association to maintain
49.4 its accounts.

49.5 ~~(iii) A declarant shall give notice to the association of its intent to utilize the alternate~~
49.6 ~~common expense plan and a commencement date after the date the notice is given. The~~
49.7 ~~alternate common expense plan shall be valid only for periods after the notice is given. A~~
49.8 ~~declarant may terminate its right to utilize the alternate common expense plan prior to the~~
49.9 ~~termination of the period of declarant control only by giving notice to the association and~~
49.10 ~~the unit owners at least 30 days prior to a selected termination date set forth in the notice.~~

49.11 ~~(iv) If a declarant utilizes an alternate common expense plan, that declarant shall~~
49.12 ~~cause to be prepared and delivered to the association, at the declarant's expense, within~~
49.13 ~~90 days after the termination of the period of declarant control, an audited balance sheet~~
49.14 ~~and profit and loss statement certified to the association and prepared by an accountant~~
49.15 ~~having the qualifications set forth in section 515B.3-121(b). The audit shall be binding on~~
49.16 ~~the declarant and the association.~~

49.17 ~~(v) If the audited profit and loss statement shows an accumulated operating deficit,~~
49.18 ~~the declarant shall be obligated to make up the deficit within 15 days after delivery of the~~
49.19 ~~audit to the association, and the association shall have a claim against the declarant for~~
49.20 ~~an amount equal to the deficit until paid. A declarant who does not utilize an alternate~~
49.21 ~~common expense plan is not liable to make up any operating deficit. If more than one~~
49.22 ~~declarant utilizes an alternate common expense plan, all declarants who utilize the plan~~
49.23 ~~are jointly and severally liable to the association for any operating deficit.~~

49.24 ~~(vi) The existence and amount, if any, of the operating deficit shall be determined~~
49.25 ~~using the accrual method of accounting applied as of the date of termination of the period~~
49.26 ~~of declarant control, regardless of the accounting methodology previously used by the~~
49.27 ~~association to maintain its accounts.~~

49.28 ~~(vii) Unless approved by a vote of the unit owners other than the declarant and~~
49.29 ~~its affiliates, the operating deficit shall not be made up, prior to the election by the unit~~
49.30 ~~owners of a board of directors pursuant to section 515B.3-103(d), through the use of a~~
49.31 ~~special assessment described in subsection (c) or by assessments described in subsections~~
49.32 ~~(c), (f), and (g).~~

49.33 ~~(viii) The use by a declarant of an alternate common expense plan shall not affect the~~
49.34 ~~obligations of the declarant or the association as provided in the declaration, the bylaws or~~
49.35 ~~this chapter, or as represented in the disclosure statement required by section 515B.4-102,~~
49.36 ~~except as to matters authorized by this chapter.~~

50.1 (b) The replacement reserves required by section 515B.3-114 reserve component of
50.2 the common expenses shall be paid to the association by each unit owner funded for each
50.3 unit owned by that unit owner in accordance with the association's projected annual budget
50.4 approved pursuant to subsection (a), regardless of whether an annual assessment has been
50.5 levied or whether the declarant has utilized an alternate common expense plan under
50.6 subsection (a)(2). Replacement reserves shall be paid with respect to a unit commencing
50.7 as of the later of (1) the date of creation of the common interest community or (2) the
50.8 date that required by section 515B.4-102(23) provided that the funding of replacement
50.9 reserves with respect to a unit shall commence no later than the date that the structure
50.10 and exterior of the building containing the unit, or the structure and exterior of unit or
50.11 any building located within the unit boundaries, but excluding the interior finishing of
50.12 the structure itself, are is substantially completed. If the association has not approved an
50.13 annual budget as of the commencement date for the payment of replacement reserves,
50.14 then the reserves shall be paid based upon the budget contained in the disclosure statement
50.15 required by section 515B.4-102 Substantial completion shall be evidenced by a certificate
50.16 of occupancy in any jurisdiction that issues the certificate.

50.17 (c) After an assessment has been levied by the association, assessments shall be
50.18 levied at least annually, based upon ~~an annual~~ a budget approved at least annually by the
50.19 association. ~~In addition to and not in lieu of annual assessments, an association may, if~~
50.20 ~~so provided in the declaration, levy special assessments against all units in the common~~
50.21 ~~interest community based upon the same formula required by the declaration for levying~~
50.22 ~~annual assessments. Special assessments may be levied only (1) to cover expenditures~~
50.23 ~~of an emergency nature, (2) to replenish underfunded replacement reserves, (3) to~~
50.24 ~~cover unbudgeted capital expenditures or operating expenses, or (4) to replace certain~~
50.25 ~~components of the common interest community described in section 515B.3-114(a),~~
50.26 ~~if such alternative method of funding is approved under section 515B.3-114(a)(5).~~
50.27 The association may also levy assessments against fewer than all units as provided in
50.28 subsections (c), (f), and (g), subject to the requirements of section 515B.3-114(a)(5), with
50.29 respect to assessments under section 515B.3-115(c)(2).

50.30 (d) Except as modified by subsections (a)(1) and (2), (c), (f), and (g), all common
50.31 expenses shall be assessed against all the units in accordance with the allocations
50.32 established by the declaration pursuant to section 515B.2-108.

50.33 (e) Unless otherwise required by the declaration:

50.34 (1) any common expense associated with the maintenance, repair, or replacement
50.35 of a limited common element shall be assessed against the units to which that limited
50.36 common element is assigned, equally, or in any other proportion the declaration provides;

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

51.1 ~~(2) any common expense or portion thereof benefiting fewer than all of the units~~
51.2 ~~may be assessed exclusively against the units benefited, equally, or in any other proportion~~
51.3 ~~the declaration provides;~~

51.4 ~~(3) the costs of insurance may be assessed in proportion to risk or coverage, and the~~
51.5 ~~costs of utilities may be assessed in proportion to usage;~~

51.6 ~~(4) reasonable attorneys fees and costs incurred by the association in connection~~
51.7 ~~with (i) the collection of assessments and, (ii) the enforcement of this chapter, the articles,~~
51.8 ~~bylaws, declaration, or rules and regulations, against a unit owner, may be assessed~~
51.9 ~~against the unit owner's unit; and~~

51.10 ~~(5) fees, charges, late charges, fines and interest may be assessed as provided~~
51.11 ~~in section 515B.3-116(a).~~

51.12 ~~(f) Assessments levied under section 515B.3-116 to pay a judgment against the~~
51.13 ~~association may be levied only against the units in the common interest community at the~~
51.14 ~~time the judgment was entered, in proportion to their common expense liabilities.~~

51.15 ~~(g) If any damage to the common elements or another unit is caused by the act or~~
51.16 ~~omission of any unit owner, or occupant of a unit, or their invitees, the association may~~
51.17 ~~assess the costs of repairing the damage exclusively against the unit owner's unit to the~~
51.18 ~~extent not covered by insurance.~~

51.19 ~~(h) Subject to any shorter period specified by the declaration or bylaws, if any~~
51.20 ~~installment of an assessment becomes more than 60 days past due, then the association~~
51.21 ~~may, upon ten days' written notice to the unit owner, declare the entire amount of the~~
51.22 ~~assessment immediately due and payable in full.~~

51.23 ~~(i) If common expense liabilities are reallocated for any purpose authorized by this~~
51.24 ~~chapter, common expense assessments and any installment thereof not yet due shall be~~
51.25 ~~recalculated in accordance with the reallocated common expense liabilities.~~

51.26 ~~(j) An assessment against fewer than all of the units must be levied within three years~~
51.27 ~~after the event or circumstances forming the basis for the assessment, or shall be barred.~~

51.28 (d) This section applies only to common interest communities created before August
51.29 1, 2010.

51.30 **EFFECTIVE DATE.** This section is effective the day following final enactment.

51.31 Sec. 17. [515B.3-1151] ASSESSMENTS FOR COMMON EXPENSES.

51.32 (a) The association shall approve an annual budget of common expenses at or prior
51.33 to the conveyance of the first unit in the common interest community to a purchaser and
51.34 annually thereafter. The annual budget shall include all customary and necessary operating
51.35 expenses and replacement reserves for the common interest community, consistent

52.1 with this section and section 515B.3-114. For purposes of replacement reserves under
52.2 subsection (b), until an annual budget has been approved, the reserves shall be paid based
52.3 upon the budget contained in the disclosure statement required by section 515B.4-102.

52.4 The obligation of a unit owner to pay common expenses shall be as follows:

52.5 (1) If a common expense assessment has not been levied by the association, the
52.6 declarant shall pay all common expenses of the common interest community, including
52.7 the payment of the replacement reserve component of the common expenses for all units
52.8 in compliance with subsection (b).

52.9 (2) If a common expense assessment has been levied by the association, all unit
52.10 owners, including the declarant, shall pay the assessments levied against their units,
52.11 except as follows:

52.12 (i) The declaration may provide for an alternate common expense plan whereby the
52.13 declarant's common expense liability, and the corresponding assessment lien against the
52.14 units owned by the declarant, is limited to: (A) paying when due, in compliance with
52.15 subsection (b), an amount equal to the full share of the replacement reserves allocated to
52.16 units owned by the declarant, as set forth in the association's annual budget approved as
52.17 provided in this subsection; and (B) paying when due all accrued expenses of the common
52.18 interest community in excess of the aggregate assessments payable with respect to units
52.19 owned by persons other than a declarant; provided, that the alternate common expense
52.20 plan shall not affect a declarant's obligation to make up any operating deficit pursuant to
52.21 item (iv), and shall terminate upon the termination of any period of declarant control
52.22 unless terminated earlier pursuant to item (iii).

52.23 (ii) The alternate common expense plan may be authorized only by including in
52.24 the declaration and the disclosure statement required by section 515B.4-102 provisions
52.25 authorizing and disclosing the alternate common expense plan as described in item (i),
52.26 and including in the disclosure statement either (A) a statement that the alternate common
52.27 expense plan will have no effect on the level of services or amenities anticipated by the
52.28 association's budget contained in the disclosure statement, or (B) a statement describing
52.29 how the services or amenities may be affected.

52.30 (iii) A declarant shall give notice to the association of its intent to utilize the alternate
52.31 common expense plan and a commencement date after the date the notice is given. The
52.32 alternate common expense plan shall be valid only for periods after the notice is given. A
52.33 declarant may terminate its right to utilize the alternative common expense plan prior to the
52.34 termination of the period of declarant control only by giving notice to the association and
52.35 the unit owners at least 30 days prior to a selected termination date set forth in the notice.

53.1 (iv) If a declarant utilizes an alternate common expense plan, that declarant shall
53.2 cause to be prepared and delivered to the association, at the declarant's expense, within
53.3 90 days after the termination of the period of declarant control, an audited balance sheet
53.4 and profit and loss statement certified to the association and prepared by an accountant
53.5 having the qualifications set forth in section 515B.3-121(b). The audit shall be binding on
53.6 the declarant and the association.

53.7 (v) If the audited profit and loss statement shows an accumulated operating deficit,
53.8 the declarant shall be obligated to make up the deficit within 15 days after delivery of the
53.9 audit to the association, and the association shall have a claim against the declarant for
53.10 an amount equal to the deficit until paid. A declarant who does not utilize an alternate
53.11 common expense plan is not liable to make up any operating deficit. If more than one
53.12 declarant utilizes an alternate common expense plan, all declarants who utilize the plan
53.13 are jointly and severally liable to the association for any operating deficit.

53.14 (vi) The existence and amount, if any, of the operating deficit shall be determined
53.15 using the accrual method of accounting applied as of the date of termination of the period
53.16 of declarant control, regardless of the accounting methodology previously used by the
53.17 association to maintain its accounts.

53.18 (vii) Unless approved by a vote of the unit owners other than the declarant and
53.19 its affiliates, the operating deficit shall not be made up, prior to the election by the unit
53.20 owners of a board of directors pursuant to section 515B.3-103(d), through the use of a
53.21 special assessment described in subsection (c) or by assessments described in subsections
53.22 (e), (f), and (g).

53.23 (viii) The use by a declarant of an alternate common expense plan shall not affect
53.24 the obligations of the declarant or the association as provided in the declaration, the
53.25 bylaws, or this chapter, or as represented in the disclosure statement required by section
53.26 515B.4-102, except as to matters authorized by this chapter.

53.27 (b) The replacement reserves required by section 515B.3-114 shall be paid to the
53.28 association by each unit owner for each unit owned by that unit owner in accordance with
53.29 the association's annual budget approved pursuant to subsection (a), regardless of whether
53.30 an annual assessment has been levied or whether the declarant has utilized an alternate
53.31 common expense plan under subsection (a)(2). Replacement reserves shall be paid with
53.32 respect to a unit commencing as of the later of (1) the date of creation of the common
53.33 interest community or (2) the date that the structure and exterior of the building containing
53.34 the unit, or the structure and exterior of any building located within the unit boundaries,
53.35 but excluding the interior finishing of the structure itself, are substantially completed. If
53.36 the association has not approved an annual budget as of the commencement date for the

54.1 payment of replacement reserves, then the reserves shall be paid based upon the budget
54.2 contained in the disclosure statement required by section 515B.4-102.

54.3 (c) After an assessment has been levied by the association, assessments shall be
54.4 levied at least annually, based upon an annual budget approved by the association. In
54.5 addition to and not in lieu of annual assessments, an association may, if so provided in the
54.6 declaration, levy special assessments against all units in the common interest community
54.7 based upon the same formula required by the declaration for levying annual assessments.
54.8 Special assessments may be levied only (1) to cover expenditures of an emergency
54.9 nature, (2) to replenish underfunded replacement reserves, (3) to cover unbudgeted capital
54.10 expenditures or operating expenses, or (4) to replace certain components of the common
54.11 interest community described in section 515B.3-114(a), if such alternative method of
54.12 funding is approved under section 515B.3-114(a)(5). The association may also levy
54.13 assessments against fewer than all units as provided in subsections (e), (f), and (g). An
54.14 assessment under section 515B.3-1151(e)(2) for replacement reserves is subject to the
54.15 requirements of section 515B.3-1141(a)(5).

54.16 (d) Except as modified by subsections (a), clauses (1) and (2), (e), (f), and (g), all
54.17 common expenses shall be assessed against all the units in accordance with the allocations
54.18 established by the declaration pursuant to section 515B.2-108.

54.19 (e) Unless otherwise required by the declaration:

54.20 (1) any common expense associated with the maintenance, repair, or replacement
54.21 of a limited common element shall be assessed against the units to which that limited
54.22 common element is assigned, equally, or in any other proportion the declaration provides;

54.23 (2) any common expense or portion thereof benefiting fewer than all of the units
54.24 may be assessed exclusively against the units benefited, equally, or in any other proportion
54.25 the declaration provides;

54.26 (3) the costs of insurance may be assessed in proportion to risk or coverage, and the
54.27 costs of utilities may be assessed in proportion to usage;

54.28 (4) reasonable attorney fees and costs incurred by the association in connection with
54.29 (i) the collection of assessments, and (ii) the enforcement of this chapter, the articles,
54.30 bylaws, declaration, or rules and regulations, against a unit owner, may be assessed
54.31 against the unit owner's unit; and

54.32 (5) fees, charges, late charges, fines, and interest may be assessed as provided in
54.33 section 515B.3-116(a).

54.34 (f) Assessments levied under section 515B.3-116 to pay a judgment against the
54.35 association may be levied only against the units in the common interest community at the
54.36 time the judgment was entered, in proportion to their common expense liabilities.

55.1 (g) If any damage to the common elements or another unit is caused by the act or
55.2 omission of any unit owner, or occupant of a unit, or their invitees, the association may
55.3 assess the costs of repairing the damage exclusively against the unit owner's unit to the
55.4 extent not covered by insurance.

55.5 (h) Subject to any shorter period specified by the declaration or bylaws, if any
55.6 installment of an assessment becomes more than 60 days past due, then the association
55.7 may, upon ten days' written notice to the unit owner, declare the entire amount of the
55.8 assessment immediately due and payable in full.

55.9 (i) If common expense liabilities are reallocated for any purpose authorized by this
55.10 chapter, common expense assessments and any installment thereof not yet due shall be
55.11 recalculated in accordance with the reallocated common expense liabilities.

55.12 (j) An assessment against fewer than all of the units must be levied within three years
55.13 after the event or circumstances forming the basis for the assessment, or shall be barred.

55.14 (k) This section applies only to common interest communities created on or after
55.15 August 1, 2010.

55.16 **EFFECTIVE DATE.** This section is effective the day following final enactment.

55.17 Sec. 18. Minnesota Statutes 2010, section 515B.4-102, is amended to read:

55.18 **515B.4-102 DISCLOSURE STATEMENT; GENERAL PROVISIONS.**

55.19 (a) A disclosure statement shall fully and accurately disclose:

55.20 (1) the name and, if available, the number of the common interest community;

55.21 (2) the name and principal address of ~~each the declarant holding any special declarant~~
55.22 ~~rights; a description of the special declarant rights held by each declarant; a description~~
55.23 ~~of the units or additional real estate to which the respective special declarant rights~~
55.24 ~~apply; and a copy of any recorded transfer of special declarant rights pursuant to section~~
55.25 ~~515B.3-104(a), or any instrument recorded pursuant to section 515B.3-104(b), (g), or (h);~~

55.26 (3) the ~~total~~ number of units which ~~all declarants have~~ the declarant has the right
55.27 to include in the common interest community and a statement that the common interest
55.28 community is either a condominium, cooperative, or planned community;

55.29 (4) a general description of the common interest community, including, at a
55.30 minimum, (i) the number of buildings, (ii) the number of dwellings per building, (iii)
55.31 the type of construction, (iv) whether the common interest community involves new
55.32 construction or rehabilitation, (v) whether any building was wholly or partially occupied,
55.33 for any purpose, before it was added to the common interest community and the nature
55.34 of the occupancy, and (vi) a general description of any roads, trails, or utilities that are

56.1 located on the common elements and that the association or a master association will be
56.2 required to maintain; and (vii) ~~a description of any declarant licensing rights under section~~
56.3 ~~515B.2-109(e);~~

56.4 (5) declarant's schedule of commencement and completion of construction of any
56.5 buildings and other improvements that the declarant is obligated to build pursuant to
56.6 section 515B.4-117;

56.7 (6) any expenses or services, not reflected in the budget, that a declarant pays
56.8 or provides, which may become a common expense; the projected common expense
56.9 attributable to each of those expenses or services; a description and an explanation of
56.10 ~~any alternate common expense plan declarant's limited assessment liability under section~~
56.11 ~~515B.3-115(a)(2)(i) 515B.3-115(b); and, if the declaration provides for an alternate~~
56.12 ~~common expense plan, either (i) a statement that the alternate common expense plan will~~
56.13 ~~have no effect on the level of services or amenities anticipated by the association's budget~~
56.14 ~~or disclosed in the disclosure statement, or (ii) a statement describing how the services or~~
56.15 ~~amenities may be affected;~~

56.16 (7) any initial or special fee due from the purchaser to the declarant or the association
56.17 at closing, together with a description of the purpose and method of calculating the fee;

56.18 (8) identification of any liens, defects, or encumbrances which will continue to affect
56.19 the title to a unit or to any real property owned by the association after the contemplated
56.20 conveyance;

56.21 (9) a description of any financing offered or arranged by the declarant;

56.22 (10) a statement as to whether application has been made for any project approvals
56.23 for the common interest community from the Federal National Mortgage Association
56.24 (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Department of Housing
56.25 and Urban Development (HUD) or Department of Veterans Affairs (VA), and which, if
56.26 any, such final approvals have been received;

56.27 (11) the terms of any warranties provided by the declarant, including copies of
56.28 sections 515B.4-112 through 515B.4-115, and any other applicable statutory warranties,
56.29 and a statement of any limitations on the enforcement of the applicable warranties or on
56.30 damages;

56.31 (12) a statement that: (i) within ten days after the receipt of a disclosure statement, a
56.32 purchaser may cancel any contract for the purchase of a unit from a declarant; provided,
56.33 that the right to cancel terminates upon the purchaser's voluntary acceptance of a
56.34 conveyance of the unit from the declarant or by the purchaser agreeing to modify or waive
56.35 the right to cancel in the manner provided by section 515B.4-106(a); (ii) if a purchaser
56.36 receives a disclosure statement more than ten days before signing a purchase agreement,

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

57.1 the purchaser cannot cancel the purchase agreement; and (iii) if a declarant obligated to
57.2 deliver a disclosure statement fails to deliver a disclosure statement which substantially
57.3 complies with this chapter to a purchaser to whom a unit is conveyed, the declarant shall
57.4 be liable to the purchaser as provided in section 515B.4-106(d);

57.5 (13) a statement disclosing to the extent of the declarant's or an affiliate of a
57.6 declarant's actual knowledge, after reasonable inquiry, any unsatisfied judgments or
57.7 lawsuits to which the association is a party, and the status of those lawsuits which are
57.8 material to the common interest community or the unit being purchased;

57.9 (14) a statement (i) describing the conditions under which earnest money will be
57.10 held in and disbursed from the escrow account, as set forth in section 515B.4-109, (ii)
57.11 that the earnest money will be returned to the purchaser if the purchaser cancels the
57.12 contract pursuant to section 515B.4-106, and (iii) setting forth the name and address
57.13 of the escrow agent;

57.14 (15) a detailed description of the insurance coverage provided by the association for
57.15 the benefit of unit owners, including a statement as to which, if any, of the items referred
57.16 to in section 515B.3-113, subsection (b), are insured by the association;

57.17 (16) any current or expected fees or charges, other than assessments for common
57.18 expenses, to be paid by unit owners for the use of the common elements or any other
57.19 improvements or facilities;

57.20 (17) the financial arrangements, including any contingencies, which have been made
57.21 to provide for completion of all improvements that the declarant is obligated to build
57.22 pursuant to section 515B.4-118, or a statement that no such arrangements have been made;

57.23 (18) in a cooperative: (i) whether the unit owners will be entitled for federal and
57.24 state tax purposes, to deduct payments made by the association for real estate taxes
57.25 and interest paid to the holder of a security interest encumbering the cooperative; (ii) a
57.26 statement as to the effect on the unit owners if the association fails to pay real estate taxes
57.27 or payments due the holder of a security interest encumbering the cooperative; and (iii) the
57.28 principal amount and a general description of the terms of any blanket mortgage, contract
57.29 for deed, or other blanket security instrument encumbering the cooperative property;

57.30 (19) a statement: (i) that real estate taxes for the unit or any real property owned by
57.31 the association are not delinquent or, if there are delinquent real estate taxes, describing
57.32 the property for which the taxes are delinquent, stating the amount of the delinquent
57.33 taxes, interest and penalties, and stating the years for which taxes are delinquent, and
57.34 (ii) setting forth the amount of real estate taxes, including the amount of any special
57.35 assessment certified for payment with the real estate taxes, due and payable with respect to

58.1 the unit in the year in which the disclosure statement is given, if real estate taxes have
58.2 been separately assessed against the unit;

58.3 (20) if the ~~unit or other parcel of real estate being purchased is or may~~ association
58.4 or the purchaser of the unit will be subject to a member of a master declaration at the
58.5 time of the conveyance from the declarant to the purchaser association, a statement to
58.6 that effect, and all of the following information with respect to the master association:
58.7 (i) ~~copies of the following documents (which may be in proposed form if the master~~
58.8 ~~declaration has not been recorded):~~ a copy of the master declaration, the articles of
58.9 incorporation, bylaws, and rules and regulations for the master association, together with
58.10 any amendments thereto; (ii) the name and address of the master developer, and the
58.11 name, address and general description of the master association, including a general
58.12 description of any other association, unit owners, or other persons which are or may
58.13 become members; (iii) a description of any nonresidential use permitted on any property
58.14 subject to the master declaration association; (iv) a statement as to the estimated maximum
58.15 number of associations, unit owners or other persons which may become members of
58.16 the master association, and a description of any the degree and period of control of
58.17 the master association and rights to appoint master association directors by a master
58.18 developer declarant or other person pursuant to section 515B.2-121(c); (v) a description
58.19 of any facilities intended for the benefit of the members of the master association and
58.20 not located on property owned or controlled by a member or the master association;
58.21 (vi) the financial arrangements, including any contingencies, which have been made to
58.22 provide for completion of the facilities referred to in subsection (v), or a statement that no
58.23 arrangements have been made; (vii) any current balance sheet of the master association
58.24 and a projected or current annual budget, as applicable, which budget shall include with
58.25 respect to the master association those items in paragraph (23), clauses (i) through (iii),
58.26 and the projected monthly or other periodic common expense assessment payment for
58.27 each type of unit, lot, or other parcel of real estate which is or is planned to be subject to
58.28 assessment; (viii) a description of any expenses or services not reflected in the budget, paid
58.29 for or provided by a master developer declarant or other a person executing the master
58.30 declaration, which may become an expense of the master association in the future; (ix) a
58.31 description of any powers delegated to and accepted by the master association pursuant
58.32 to section 515B.2-121(c)(2) 515B.2-121(f)(2); (x) identification of any liens, defects or
58.33 encumbrances that will continue to affect title to property owned or operated by the master
58.34 association for the benefit of its members; (xi) the terms of any warranties provided by
58.35 any person for construction of facilities in which the members of the master association
58.36 have or may have an interest, and any known defects in the facilities which would violate

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

59.1 the standards described in section ~~515B.4-113(b)(2)~~ 515B.4-112(b); (xii) a statement
59.2 disclosing, after inquiry of the master association, any unsatisfied judgments or lawsuits to
59.3 which the master association is a party, and the status of those lawsuits which are material
59.4 to the master association; (xiii) a description of any insurance coverage provided for the
59.5 benefit of its members by the master association; and (xiv) any current or expected fees or
59.6 charges, other than assessments by the master association, to be paid by members of the
59.7 master association for the use of any facilities intended for the benefit of the members;

59.8 (21) a statement as to whether the unit will be substantially completed at the time
59.9 of conveyance to a purchaser, and if not substantially completed, who is responsible to
59.10 complete and pay for the construction of the unit;

59.11 (22) ~~copies a copy of the following documents (which may be in proposed form if~~
59.12 ~~the declaration has not been recorded): the declaration and any supplemental declaration,~~
59.13 and any amendments thereto (exclusive of the CIC plat); any other recorded covenants,
59.14 conditions, restrictions, or reservations affecting the common interest community; the
59.15 articles of incorporation, bylaws and any rules or regulations of the association; ~~the names~~
59.16 ~~of the current members of the association's board of directors;~~ any agreement excluding
59.17 or modifying any implied warranties; any agreement reducing the statute of limitations
59.18 for the enforcement of warranties; any contracts or leases to be signed by purchaser at
59.19 closing; and a brief narrative description of any (i) contracts or leases that are or may be
59.20 subject to cancellation by the association under section 515B.3-105 and (ii) any material
59.21 contracts, leases, or other agreements affecting entered into between the declarant and a
59.22 governmental entity that affect the common interest community; and

59.23 (23) a balance sheet for the association, ~~following the creation of the association,~~
59.24 ~~current within 90 days of the date of delivery of the disclosure statement;~~ a projected
59.25 annual budget for the association; and a statement identifying the party responsible for the
59.26 preparation of the budget. The budget shall assume that all units intended to be included
59.27 in the common interest community, based upon the declarant's good faith estimate, have
59.28 been subjected to the declaration; provided, that additional budget portrayals based upon
59.29 a lesser number of units are permitted. The budget shall include, without limitation:

59.30 (i) a statement of the amount included in the budget as a reserve for replacement, ~~the~~
59.31 ~~components of the common interest community for which the reserves are budgeted, and~~
59.32 ~~the amounts of the reserves, if any, that are allocated for the replacement of each of those~~
59.33 ~~components;~~ (ii) a statement of any other reserves; (iii) the projected common expense
59.34 for each category of expenditures for the association; (iv) the projected monthly common
59.35 expense assessment for each type of unit; and (v) ~~a statement as to the components~~
59.36 ~~of the common interest community whose replacement will be funded by assessments~~

60.1 ~~under section 515B.3-115(e) or (e), rather than by replacement reserves as approved~~
60.2 ~~pursuant to section 515B.3-114(a) a footnote or other reference to those components of~~
60.3 ~~the common interest community the maintenance, repair, or replacement of which the~~
60.4 ~~budget assumes will be funded by assessments under section 515B.3-115(e), rather than~~
60.5 ~~by assessments included in the association's annual budget, and a statement referencing~~
60.6 ~~section 515B.3-115(e)(1) or (2), as the source of funding. If, based upon the association's~~
60.7 ~~then current budget, the monthly common expense assessment for the unit at the time of~~
60.8 ~~conveyance to the purchaser is anticipated to exceed the monthly assessment stated in the~~
60.9 ~~budget, a statement to such effect shall be included.~~

60.10 (b) A declarant shall promptly amend the disclosure statement to reflect any material
60.11 change in the information required by this chapter.

60.12 (c) The master association, within ten days after a request by a declarant, a holder
60.13 of declarant rights, or a buyer referred to in section 515B.4-101(e), or the authorized
60.14 representative of any of them, shall furnish the information required to be provided by
60.15 subsection (a)(20). A declarant or other person who provides information pursuant to
60.16 subsection (a)(20) is not liable to the buyer for any erroneous information if the declarant
60.17 or other person: (i) is not an affiliate of or related in any way to a person authorized to
60.18 appoint the master association board pursuant to section 515B.2-121(c)(3), and (ii) has no
60.19 actual knowledge that the information is incorrect.

60.20 (d) This section applies only to common interest communities created before August
60.21 1, 2010.

60.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

60.23 Sec. 19. **[515B.4-1021] DISCLOSURE STATEMENT; GENERAL PROVISIONS.**

60.24 (a) A disclosure statement shall fully and accurately disclose:

60.25 (1) the name and, if available, the number of the common interest community;

60.26 (2) the name and principal address of each declarant holding any special declarant

60.27 rights; a description of the special declarant rights held by each declarant; a description

60.28 of the units or additional real estate to which the respective special declarant rights

60.29 apply; and a copy of any recorded transfer of special declarant rights pursuant to section

60.30 515B.3-104(a), or any instrument recorded pursuant to section 515B.3-104(b), (g), or (h);

60.31 (3) the total number of units which all declarants have the right to include in the

60.32 common interest community and a statement that the common interest community is

60.33 either a condominium, cooperative, or planned community;

60.34 (4) a general description of the common interest community, including, at a

60.35 minimum, (i) the number of buildings, (ii) the number of dwellings per building, (iii)

61.1 the type of construction, (iv) whether the common interest community involves new
61.2 construction or rehabilitation, (v) whether any building was wholly or partially occupied,
61.3 for any purpose, before it was added to the common interest community, and the nature
61.4 of the occupancy, (vi) a general description of any roads, trails, or utilities that are
61.5 located on the common elements and that the association or master association will be
61.6 required to maintain, and (vii) a description of any declarant licensing rights under section
61.7 515B.2-109(e);

61.8 (5) declarant's schedule of commencement and completion of construction of any
61.9 buildings and other improvements that the declarant is obligated to build pursuant to
61.10 section 515B.4-117;

61.11 (6) any expenses or services, not reflected in the budget, that the declarant pays
61.12 or provides, which may become a common expense; the projected common expense
61.13 attributable to each of those expenses or services; a description of any alternate common
61.14 expense plan under section 515B.3-115(a)(2)(i); and, if the declaration provides for
61.15 an alternate common expense plan, either (i) a statement that the alternate common
61.16 expense plan will have no effect on the level of services or amenities anticipated by the
61.17 association's budget or disclosed in the disclosure statement, or (ii) a statement describing
61.18 how the services or amenities may be affected;

61.19 (7) any initial or special fee due from the purchaser to the declarant or the association
61.20 at closing, together with a description of the purpose and method of calculating the fee;

61.21 (8) identification of any liens, defects, or encumbrances which will continue to affect
61.22 the title to a unit or to any real property owned by the association after the contemplated
61.23 conveyance;

61.24 (9) a description of any financing offered or arranged by the declarant;

61.25 (10) a statement as to whether application has been made for any project approvals
61.26 for the common interest community from the Federal National Mortgage Association
61.27 (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Department of Housing
61.28 and Urban Development (HUD), or Department of Veterans Affairs (VA), and which, if
61.29 any, such final approvals have been received;

61.30 (11) the terms of any warranties provided by the declarant, including copies of
61.31 sections 515B.4-112 to 515B.4-115, and any other applicable statutory warranties, and
61.32 a statement of any limitations on the enforcement of the applicable warranties or on
61.33 damages;

61.34 (12) a statement that:

61.35 (i) within ten days after the receipt of a disclosure statement, a purchaser may cancel
61.36 any contract for the purchase of a unit from a declarant; provided, that the right to cancel

62.1 terminates upon the purchaser's voluntary acceptance of a conveyance of the unit from
62.2 the declarant or by the purchaser agreeing to modify or waive the right to cancel in the
62.3 manner provided by section 515B.4-106(a);

62.4 (ii) if a purchaser receives a disclosure statement more than ten days before signing
62.5 a purchase agreement, the purchaser cannot cancel the purchase agreement; and

62.6 (iii) if a declarant obligated to deliver a disclosure statement fails to deliver a
62.7 disclosure statement which substantially complies with this chapter to a purchaser to
62.8 whom a unit is conveyed, the declarant shall be liable to the purchaser as provided in
62.9 section 515B.4-106(d);

62.10 (13) a statement disclosing to the extent of the declarant's or an affiliate of a
62.11 declarant's actual knowledge, after reasonable inquiry, any unsatisfied judgments or
62.12 lawsuits to which the association is a party, and the status of those lawsuits which are
62.13 material to the common interest community or the unit being purchased;

62.14 (14) a statement (i) describing the conditions under which earnest money will be
62.15 held in and disbursed from the escrow account, as set forth in section 515B.4-109, (ii)
62.16 that the earnest money will be returned to the purchaser if the purchaser cancels the
62.17 contract pursuant to section 515B.4-106, and (iii) setting forth the name and address
62.18 of the escrow agent;

62.19 (15) a detailed description of the insurance coverage provided by the association for
62.20 the benefit of unit owners, including a statement as to which, if any, of the items referred
62.21 to in section 515B.3-113(b), are insured by the association;

62.22 (16) any current or expected fees or charges, other than assessments for common
62.23 expenses, to be paid by unit owners for the use of the common elements or any other
62.24 improvements or facilities;

62.25 (17) the financial arrangements, including any contingencies, which have been made
62.26 to provide for completion of all improvements that the declarant is obligated to build
62.27 pursuant to section 515B.4-118, or a statement that no such arrangements have been made;

62.28 (18) in a cooperative:

62.29 (i) whether the unit owners will be entitled, for federal and state tax purposes, to
62.30 deduct payments made by the association for real estate taxes and interest paid to the
62.31 holder of a security interest encumbering the cooperative;

62.32 (ii) a statement as to the effect on the unit owners if the association fails to pay real
62.33 estate taxes or payments due the holder of a security interest encumbering the cooperative;

62.34 and

63.1 (iii) the principal amount and a general description of the terms of any blanket
63.2 mortgage, contract for deed, or other blanket security instrument encumbering the
63.3 cooperative property;

63.4 (19) a statement:

63.5 (i) that real estate taxes for the unit or any real property owned by the association
63.6 are not delinquent or, if there are delinquent real estate taxes, describing the property for
63.7 which the taxes are delinquent, stating the amount of the delinquent taxes, interest, and
63.8 penalties, and stating the years for which taxes are delinquent; and

63.9 (ii) setting forth the amount of real estate taxes, including the amount of any special
63.10 assessment certified for payment with the real estate taxes, due and payable with respect to
63.11 the unit in the year in which the disclosure statement is given, if real estate taxes have
63.12 been separately assessed against the unit;

63.13 (20) if the unit or other parcel of real estate being purchased is or may be subject to a
63.14 master declaration at the time of the conveyance from the declarant to the purchaser, a
63.15 statement to that effect, and all of the following information with respect to the master
63.16 association:

63.17 (i) copies of the following documents (which may be in proposed form if the
63.18 master declaration has not been recorded): the master declaration, the articles of
63.19 incorporation, bylaws, and rules and regulations for the master association, together with
63.20 any amendments thereto;

63.21 (ii) the name and address of the master developer, and the name, address, and
63.22 general description of the master association, including a general description of any other
63.23 association, unit owners, or other persons which are or may become members;

63.24 (iii) a description of any nonresidential use permitted on any property subject to the
63.25 master declaration;

63.26 (iv) a statement as to the estimated maximum number of associations, unit owners,
63.27 or other persons which may become members of the master association, and a description
63.28 of any period of control of the master association and rights to appoint master association
63.29 directors by a master developer or other person pursuant to section 515B.2-121(c);

63.30 (v) a description of any facilities intended for the benefit of the members of the
63.31 master association and not located on property owned or controlled by a member of the
63.32 master association;

63.33 (vi) the financial arrangements, including any contingencies, which have been made
63.34 to provide for completion of the facilities referred to in subsection (v), or a statement that
63.35 no arrangements have been made;

64.1 (vii) any current balance sheet of the master association and a projected or current
64.2 annual budget, as applicable, which budget shall include with respect to the master
64.3 association those items in paragraph (23), clauses (i) through (iii), and the projected
64.4 monthly or other periodic common expense assessment payment for each type of unit, lot,
64.5 or other parcel of real estate which is or is planned to be subject to assessment;

64.6 (viii) a description of any expenses or services not reflected in the budget, paid for or
64.7 provided by a master developer or another person executing the master declaration, which
64.8 may become an expense of the master association in the future;

64.9 (ix) a description of any powers delegated to and accepted by the master association
64.10 pursuant to section 515B.2-121(e)(2);

64.11 (x) identification of any liens, defects, or encumbrances that will continue to affect
64.12 title to property owned or operated by the master association for the benefit of its members;

64.13 (xi) the terms of any warranties provided by any person for construction of facilities
64.14 in which the members of the master association have or may have an interest, and any
64.15 known defects in the facilities which would violate the standards described in section
64.16 515B.4-113(b)(2);

64.17 (xii) a statement disclosing, after inquiry of the master association, any unsatisfied
64.18 judgments or lawsuits to which the master association is a party, and the status of those
64.19 lawsuits which are material to the master association;

64.20 (xiii) a description of any insurance coverage provided for the benefit of its members
64.21 by the master association; and

64.22 (xiv) any current or expected fees or charges, other than assessments by the master
64.23 association, to be paid by members of the master association for the use of any facilities
64.24 intended for the benefit of the members;

64.25 (21) a statement as to whether the unit will be substantially completed at the time
64.26 of conveyance to a purchaser, and, if not substantially completed, who is responsible to
64.27 complete and pay for the construction of the unit;

64.28 (22) copies of the following documents (which may be in proposed form if the
64.29 declaration has not been recorded): the declaration and any supplemental declaration,
64.30 and any amendments thereto (exclusive of the CIC plat); any other recorded covenants,
64.31 conditions, restrictions, and reservations affecting the common interest community; the
64.32 articles of incorporation, bylaws, and any rules or regulations of the association; the names
64.33 of the current members of the association's board of directors; any agreement excluding or
64.34 modifying any implied warranties; any agreement reducing the statute of limitations for
64.35 the enforcement of warranties; any contracts or leases to be signed by the purchaser at

S.F. No. 136, 1st Engrossment - 87th Legislative Session (2011-2012) [S0136-1]

65.1 closing; and a description of any material contracts, leases, or other agreements affecting
65.2 the common interest community; and

65.3 (23) a balance sheet for the association, following the creation of the association,
65.4 current within 90 days; a projected annual budget for the association; and a statement
65.5 identifying the party responsible for the preparation of the budget. The budget shall
65.6 assume that all units intended to be included in the common interest community, based
65.7 upon the declarant's good faith estimate, have been subjected to the declaration; provided,
65.8 that additional budget portrayals based upon a lesser number of units are permitted. The
65.9 budget shall include, without limitation:

65.10 (i) a statement of the amount included in the budget as a reserve for replacement,
65.11 the components of the common interest community for which the reserves are budgeted,
65.12 and the amounts of the reserves, if any, that are allocated for the replacement of each of
65.13 those components;

65.14 (ii) a statement of any other reserves;

65.15 (iii) the projected common expense for each category of expenditures for the
65.16 association;

65.17 (iv) the projected monthly common expense assessment for each type of unit; and

65.18 (v) a statement as to the components of the common interest community whose
65.19 replacement will be funded by assessments under section 515B.3-115(c) or (e), rather than
65.20 by replacement reserves as approved pursuant to section 515B.3-114(a). If, based upon the
65.21 association's then-current budget, the monthly common expense assessment for the unit at
65.22 the time of conveyance to the purchaser is anticipated to exceed the monthly assessment
65.23 stated in the budget, a statement to such effect shall be included.

65.24 (b) A declarant shall promptly amend the disclosure statement to reflect any material
65.25 change in the information required by this chapter.

65.26 (c) The master association, within ten days after a request by a declarant, a holder
65.27 of declarant rights, or a buyer referred to in section 515B.4-101(e), or the authorized
65.28 representative of any of them, shall furnish the information required to be provided by
65.29 subsection (a)(20). A declarant or other person who provides information pursuant to
65.30 subsection (a)(20), is not liable to the buyer for any erroneous information if the declarant
65.31 or other person: (i) is not an affiliate of or related in any way to a person authorized to
65.32 appoint the master association board pursuant to section 515B.2-121(c)(3), and (ii) has no
65.33 actual knowledge that the information is incorrect.

65.34 (d) This section applies only to common interest communities created on or after
65.35 August 1, 2010.

65.36 **EFFECTIVE DATE.** This section is effective the day following final enactment.

66.1 Sec. 20. Minnesota Statutes 2010, section 515B.4-115, is amended to read:

66.2 **515B.4-115 STATUTE OF LIMITATIONS FOR WARRANTIES.**

66.3 (a) A judicial proceeding for breach of an obligation arising under section
66.4 515B.4-101(e) or 515B.4-106(d), shall be commenced within ~~12~~ six months after the
66.5 conveyance of the unit or other parcel of real estate.

66.6 (b) A judicial proceeding for breach of an obligation arising under section
66.7 515B.4-112 or 515B.4-113 shall be commenced within six years after the cause of action
66.8 accrues, but the parties may agree to reduce the period of limitation to not less than two
66.9 years. An agreement reducing the period of limitation ~~signed by one purchaser of a unit~~
66.10 ~~shall be binding on any copurchasers of the unit, and the purchasers' successors and~~
66.11 purchaser's assigns. With respect to a unit that may be occupied for residential use, an
66.12 agreement to reduce the period of limitation must be evidenced by an instrument separate
66.13 from the purchase agreement signed by ~~a~~ the purchaser ~~of the unit~~.

66.14 (c) Subject to subsection (d), a cause of action under section 515B.4-112 or
66.15 515B.4-113, regardless of the ~~purchaser's~~ purchasers' lack of knowledge of the breach,
66.16 accrues:

66.17 (1) as to a unit, at the earlier of the time of conveyance of ~~any interest in~~ the unit by
66.18 ~~a~~ the declarant to a bona fide purchaser, of the unit other than an affiliate of a declarant, or
66.19 the time ~~a~~ the purchaser enters into possession of the unit. ~~As to a unit subject to time~~
66.20 ~~shares, a cause of action accrues upon the earlier of the conveyance of the unit or the~~
66.21 ~~conveyance of the first time share interest in the unit to a purchaser; and~~

66.22 (2) as to each common element, the latest of (i) the time the common element is
66.23 completed; (ii) the time the first ~~interest in a~~ unit in the common interest community is
66.24 conveyed to a bona fide purchaser, or; if the common element is located on property that
66.25 ~~was~~ is additional real estate; at the time the first ~~interest in a~~ unit ~~created thereon~~ therein
66.26 is conveyed to a bona fide purchaser; or (iii) the termination of the period of declarant
66.27 control.

66.28 (d) If a warranty explicitly extends to future performance or duration of any
66.29 improvement or component of the common interest community, the cause of action
66.30 accrues at the time the breach is discovered or at the end of the period for which the
66.31 warranty explicitly extends, whichever is earlier.

66.32 (e) This section applies only to common interest communities created before August
66.33 1, 2010.

66.34 **EFFECTIVE DATE.** This section is effective the day following final enactment.

67.1 Sec. 21. [515B.4-1151] STATUTE OF LIMITATIONS FOR WARRANTIES.

67.2 (a) A judicial proceeding for breach of an obligation arising under section
67.3 515B.4-101(e) or 515B.4-106(d) shall be commenced within 12 months after the
67.4 conveyance of the unit or other parcel of real estate.

67.5 (b) A judicial proceeding for breach of an obligation arising under section
67.6 515B.4-112 or 515B.4-113 shall be commenced within six years after the cause of action
67.7 accrues, but the parties may agree to reduce the period of limitation to not less than
67.8 two years. An agreement reducing the period of limitation signed by one purchaser of
67.9 a unit shall be binding on any copurchasers of the unit. With respect to a unit that may
67.10 be occupied for residential use, an agreement to reduce the period of limitation must be
67.11 evidenced by an instrument separate from the purchase agreement signed by a purchaser
67.12 of the unit.

67.13 (c) Subject to subsection (d), a cause of action under section 515B.4-112 or
67.14 515B.4-113, regardless of the purchaser's lack of knowledge of the breach, accrues:

67.15 (1) as to a unit, at the earlier of the time of conveyance of any interest in the unit by
67.16 a declarant to a bona fide purchaser, other than an affiliate of a declarant, or the time a
67.17 purchaser enters into possession of the unit. As to a unit subject to time shares, a cause of
67.18 action accrues upon the earlier of the conveyance of the unit or the conveyance of the first
67.19 time share interest in the unit to a purchaser; and

67.20 (2) as to each common element, the latest of (i) the time the common element is
67.21 completed; (ii) the time the first interest in a unit in the common interest community is
67.22 conveyed to a bona fide purchaser, or, if the common element is located on property that
67.23 was additional real estate, at the time the first interest in a unit created thereon is conveyed
67.24 to a bona fide purchaser; or (iii) the termination of the period of declarant control.

67.25 (d) If a warranty explicitly extends to future performance or duration of any
67.26 improvement or component of the common interest community, the cause of action
67.27 accrues at the time the breach is discovered or at the end of the period for which the
67.28 warranty explicitly extends, whichever is earlier.

67.29 (e) This section applies only to common interest communities created on or after
67.30 August 1, 2010.

67.31 **EFFECTIVE DATE.** This section is effective the day following final enactment
67.32 and applies to common interest communities created on or after August 1, 2010.