

**SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION**

S.F. No. 2821

(SENATE AUTHORS: PORT and Murphy)

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Introduction and first reading
Referred to Civil Law and Data Practices Policy

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to common interest communities; amending and adding provisions related
1.3 to dispute resolution for common interest communities; amending Minnesota
1.4 Statutes 2020, sections 515B.3-102; 515B.3-115; 515B.3-1151; proposing coding
1.5 for new law in Minnesota Statutes, chapter 515B.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2020, section 515B.3-102, is amended to read:

1.8 **515B.3-102 POWERS OF UNIT OWNERS' ASSOCIATION.**

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

1.11 (1) adopt, amend and revoke rules and regulations not inconsistent with the articles of
1.12 incorporation, bylaws and declaration, as follows: (i) regulating the use of the common
1.13 elements; (ii) regulating the use of the units, and conduct of unit occupants, which may
1.14 jeopardize the health, safety or welfare of other occupants, which involves noise or other
1.15 disturbing activity, or which may damage the common elements or other units; (iii) regulating
1.16 or prohibiting animals; (iv) regulating changes in the appearance of the common elements
1.17 and conduct which may damage the common interest community; (v) regulating the exterior
1.18 appearance of the common interest community, including, for example, balconies and patios,
1.19 window treatments, and signs and other displays, regardless of whether inside a unit; (vi)
1.20 implementing the articles of incorporation, declaration and bylaws, and exercising the
1.21 powers granted by this section; and (vii) otherwise facilitating the operation of the common
1.22 interest community;

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

2.3 (3) hire and discharge managing agents and other employees, agents, and independent
2.4 contractors;

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

2.9 (5) make contracts and incur liabilities;

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

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

2.14 (8) acquire, hold, encumber, and convey in its own name any right, title, or interest to
2.15 real estate or personal property, but (i) common elements in a condominium or planned
2.16 community may be conveyed or subjected to a security interest only pursuant to section
2.17 515B.3-112, or (ii) part of a cooperative may be conveyed, or all or part of a cooperative
2.18 may be subjected to a security interest, only pursuant to section 515B.3-112;

2.19 (9) grant or amend easements for public utilities, public rights-of-way or other public
2.20 purposes, and cable television or other communications, through, over or under the common
2.21 elements; grant or amend easements, leases, or licenses to unit owners for purposes authorized
2.22 by the declaration; and, subject to approval by a vote of unit owners other than declarant
2.23 or its affiliates, grant or amend other easements, leases, and licenses through, over or under
2.24 the common elements;

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

2.28 (11) impose interest and late charges for late payment of assessments and, after notice
2.29 and an opportunity to be heard before the board or a committee appointed by it as provided
2.30 under section 515B.3-122, levy reasonable fines for violations of the declaration, bylaws,
2.31 and rules and regulations of the association;

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

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

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

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

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

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

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

3.17 (d) Notwithstanding subsection (a)(4) or any other provision of this chapter, the
3.18 association, before instituting litigation or arbitration involving construction defect claims
3.19 against a development party, shall:

3.20 (1) mail or deliver written notice of the anticipated commencement of the action to each
3.21 unit owner at the addresses, if any, established for notices to owners in the declaration and,
3.22 if the declaration does not state how notices are to be given to owners, to the owner's last
3.23 known address. The notice shall specify the nature of the construction defect claims to be
3.24 alleged, the relief sought, and the manner in which the association proposes to fund the cost
3.25 of pursuing the construction defect claims; and

3.26 (2) obtain the approval of owners of units to which a majority of the total votes in the
3.27 association are allocated. Votes allocated to units owned by the declarant, an affiliate of the
3.28 declarant, or a mortgagee who obtained ownership of the unit through a foreclosure sale
3.29 are excluded. The association may obtain the required approval by a vote at an annual or
3.30 special meeting of the members or, if authorized by the statute under which the association
3.31 is created and taken in compliance with that statute, by a vote of the members taken by
3.32 electronic means or mailed ballots. If the association holds a meeting and voting by electronic
3.33 means or mailed ballots is authorized by that statute, the association shall also provide for

4.1 voting by those methods. Section 515B.3-110(c) applies to votes taken by electronic means
4.2 or mailed ballots, except that the votes must be used in combination with the vote taken at
4.3 a meeting and are not in lieu of holding a meeting, if a meeting is held, and are considered
4.4 for purposes of determining whether a quorum was present. Proxies may not be used for a
4.5 vote taken under this paragraph unless the unit owner executes the proxy after receipt of
4.6 the notice required under subsection (d)(1) and the proxy expressly references this notice.

4.7 (e) The association may intervene in a litigation or arbitration involving a construction
4.8 defect claim or assert a construction defect claim as a counterclaim, crossclaim, or third-party
4.9 claim before complying with subsections (d)(1) and (d)(2) but the association's complaint
4.10 in an intervention, counterclaim, crossclaim, or third-party claim shall be dismissed without
4.11 prejudice unless the association has complied with the requirements of subsection (d) within
4.12 90 days of the association's commencement of the complaint in an intervention or the
4.13 assertion of the counterclaim, crossclaim, or third-party claim.

4.14 **EFFECTIVE DATE.** This section is effective August 1, 2022.

4.15 Sec. 2. Minnesota Statutes 2020, section 515B.3-115, is amended to read:

4.16 **515B.3-115 ASSESSMENTS FOR COMMON EXPENSES; CIC CREATED**
4.17 **BEFORE AUGUST 1, 2010.**

4.18 (a) The obligation of a unit owner to pay common expense assessments shall be as
4.19 follows:

4.20 (1) If a common expense assessment has not been levied, the declarant shall pay all
4.21 operating expenses of the common interest community, and shall fund the replacement
4.22 reserve component of the common expenses as required by subsection (b).

4.23 (2) If a common expense assessment has been levied, all unit owners, including the
4.24 declarant, shall pay the assessments allocated to their units, subject to the following:

4.25 (i) If the declaration so provides, a declarant's liability, and the assessment lien, for the
4.26 common expense assessments, exclusive of replacement reserves, on any unit owned by
4.27 the declarant may be limited to 25 percent or more of any assessment, exclusive of
4.28 replacement reserves, until the unit or any building located in the unit is substantially
4.29 completed. Substantial completion shall be evidenced by a certificate of occupancy in any
4.30 jurisdiction that issues the certificate.

4.31 (ii) If the declaration provides for a reduced assessment pursuant to paragraph (2)(i),
4.32 the declarant shall be obligated, within 60 days following the termination of the period of
4.33 declarant control, to make up any operating deficit incurred by the association during the

5.1 period of declarant control. The existence and amount, if any, of the operating deficit shall
5.2 be determined using the accrual basis of accounting applied as of the date of termination
5.3 of the period of declarant control, regardless of the accounting methodology previously
5.4 used by the association to maintain its accounts.

5.5 (b) The replacement reserve component of the common expenses shall be funded for
5.6 each unit in accordance with the projected annual budget required by section
5.7 515B.4-102(a)(23) provided that the funding of replacement reserves with respect to a unit
5.8 shall commence no later than the date that the unit or any building located within the unit
5.9 boundaries is substantially completed. Substantial completion shall be evidenced by a
5.10 certificate of occupancy in any jurisdiction that issues the certificate.

5.11 (c) After an assessment has been levied by the association, assessments shall be levied
5.12 at least annually, based upon a budget approved at least annually by the association.

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

5.16 (e) Unless otherwise required by the declaration:

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

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

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

5.25 (4) subject to section 515B.3-123, reasonable attorneys fees and costs incurred by the
5.26 association in connection with (i) the collection of assessments and, (ii) the enforcement of
5.27 this chapter, the articles, bylaws, declaration, or rules and regulations, against a unit owner,
5.28 may be assessed against the unit owner's unit; and

5.29 (5) fees, charges, late charges, fines and interest may be assessed as provided in section
5.30 515B.3-116(a).

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

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

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

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

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

6.14 (k) This section applies only to common interest communities created before August 1,
6.15 2010.

6.16 **EFFECTIVE DATE.** This section is effective August 1, 2022.

6.17 Sec. 3. Minnesota Statutes 2020, section 515B.3-1151, is amended to read:

6.18 **515B.3-1151 ASSESSMENTS FOR COMMON EXPENSES; CIC CREATED ON**
6.19 **OR AFTER AUGUST 1, 2010.**

6.20 (a) The association shall approve an annual budget of common expenses at or prior to
6.21 the conveyance of the first unit in the common interest community to a purchaser and
6.22 annually thereafter. The annual budget shall include all customary and necessary operating
6.23 expenses and replacement reserves for the common interest community, consistent with
6.24 this section and section 515B.3-114. For purposes of replacement reserves under subsection
6.25 (b), until an annual budget has been approved, the reserves shall be paid based upon the
6.26 budget contained in the disclosure statement required by section 515B.4-102. The obligation
6.27 of a unit owner to pay common expenses shall be as follows:

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

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

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

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

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

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

7.33 (v) If the audited profit and loss statement shows an accumulated operating deficit, the
7.34 declarant shall be obligated to make up the deficit within 15 days after delivery of the audit

8.1 to the association, and the association shall have a claim against the declarant for an amount
8.2 equal to the deficit until paid. A declarant who does not utilize an alternate common expense
8.3 plan is not liable to make up any operating deficit. If more than one declarant utilizes an
8.4 alternate common expense plan, all declarants who utilize the plan are jointly and severally
8.5 liable to the association for any operating deficit.

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

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

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

8.19 (b) The replacement reserves required by section 515B.3-114 shall be paid to the
8.20 association by each unit owner for each unit owned by that unit owner in accordance with
8.21 the association's annual budget approved pursuant to subsection (a), regardless of whether
8.22 an annual assessment has been levied or whether the declarant has utilized an alternate
8.23 common expense plan under subsection (a)(2). Replacement reserves shall be paid with
8.24 respect to a unit commencing as of the later of (1) the date of creation of the common interest
8.25 community or (2) the date that the structure and exterior of the building containing the unit,
8.26 or the structure and exterior of any building located within the unit boundaries, but excluding
8.27 the interior finishing of the structure itself, are substantially completed. If the association
8.28 has not approved an annual budget as of the commencement date for the payment of
8.29 replacement reserves, then the reserves shall be paid based upon the budget contained in
8.30 the disclosure statement required by section 515B.4-102.

8.31 (c) After an assessment has been levied by the association, assessments shall be levied
8.32 at least annually, based upon an annual budget approved by the association. In addition to
8.33 and not in lieu of annual assessments, an association may, if so provided in the declaration,
8.34 levy special assessments against all units in the common interest community based upon

9.1 the same formula required by the declaration for levying annual assessments. Special
9.2 assessments may be levied only (1) to cover expenditures of an emergency nature, (2) to
9.3 replenish underfunded replacement reserves, (3) to cover unbudgeted capital expenditures
9.4 or operating expenses, or (4) to replace certain components of the common interest
9.5 community described in section 515B.3-114(a), if such alternative method of funding is
9.6 approved under section 515B.3-114(a)(5). The association may also levy assessments against
9.7 fewer than all units as provided in subsections (e), (f), and (g). An assessment under
9.8 subsection (e)(2) for replacement reserves is subject to the requirements of section
9.9 515B.3-114(a)(5).

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

9.13 (e) Unless otherwise required by the declaration:

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

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

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

9.22 (4) subject to section 515B.3-123, reasonable attorney fees and costs incurred by the
9.23 association in connection with (i) the collection of assessments, and (ii) the enforcement of
9.24 this chapter, the articles, bylaws, declaration, or rules and regulations, against a unit owner,
9.25 may be assessed against the unit owner's unit; and

9.26 (5) fees, charges, late charges, fines, and interest may be assessed as provided in section
9.27 515B.3-116(a).

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

9.31 (g) If any damage to the common elements or another unit is caused by the act or omission
9.32 of any unit owner, or occupant of a unit, or their invitees, the association may assess the

10.1 costs of repairing the damage exclusively against the unit owner's unit to the extent not
10.2 covered by insurance.

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

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

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

10.12 (k) This section applies only to common interest communities created on or after August
10.13 1, 2010.

10.14 **EFFECTIVE DATE.** This section is effective August 1, 2022.

10.15 Sec. 4. **[515B.3-122] DISPUTE RESOLUTION.**

10.16 **Subdivision 1. Scope.** This section does not apply where the board determines it necessary
10.17 to take an immediate action to prevent irreparable harm.

10.18 **Subd. 2. Definitions.** (a) For purposes of this section, the terms defined in this subdivision
10.19 have the meanings given them.

10.20 (b) "Alternative dispute resolution" means mediation, arbitration, conciliation, or other
10.21 nonjudicial procedure that involves a neutral party in the decision-making process.

10.22 (c) "Enforcement action" means an action that results in:

10.23 (1) imposing an assessment or other charge, but not an assessment for common expenses;

10.24 (2) levying a fine for violations of the declaration, bylaws, or rules and regulations of
10.25 the association when the fine is levied under section 515B.3-102, paragraph (a), clause (11);

10.26 or

10.27 (3) foreclosing on a lien under section 515B.3-116.

10.28 **Subd. 3. Dispute resolution process required.** Every association shall adopt the dispute
10.29 resolution procedures set forth in this section. The association must provide written notice
10.30 in plain language to each new unit owner that describes the dispute resolution process
10.31 adopted by the association.

11.1 Subd. 4. **Notice of assessment.** (a) Before taking an enforcement action, an association
11.2 must provide a plain language notice to a unit owner that must:

11.3 (1) identify the violation and the specific portion of the declaration, bylaws, or rules and
11.4 regulations allegedly violated;

11.5 (2) inform the owner that the assessment for the fine constitutes a lien which, if not
11.6 satisfied, could lead to a foreclosure action; and

11.7 (3) describe the dispute resolution process required under this section.

11.8 (b) An association may not take an enforcement action until more than 30 days have
11.9 elapsed since the notice required under paragraph (a) was sent to the unit owner or during
11.10 the pendency of the dispute resolution process established under this section.

11.11 (c) If the owner notifies the association that the owner disputes whether the association
11.12 is justified to proceed with the enforcement action, the association may not take the action
11.13 unless the parties have endeavored to resolve the dispute as provided in this section. Nothing
11.14 in this section prevents the association from initiating the dispute resolution process if the
11.15 unit owner's request is made after the 30-day period provided under paragraph (b).

11.16 Subd. 5. **Informal resolution process through association.** If an owner initiates a
11.17 dispute under subdivision 4, paragraph (c), the board must designate one member as its
11.18 representative to meet and confer with the owner in an attempt to resolve the dispute. If the
11.19 parties cannot resolve the dispute, a unit owner has the right to a hearing under subdivision
11.20 6.

11.21 Subd. 6. **Hearing before the board.** (a) The board or a committee appointed by the
11.22 board must timely schedule and conduct a hearing. Notice of the place and time of the
11.23 hearing must be provided at least ten days prior to the date of the scheduled hearing in the
11.24 manner prescribed by section 515B.1-115. Any reasonable request by the unit owner for
11.25 rescheduling the hearing must be approved.

11.26 (b) At the hearing, the unit owner has the right to present oral or written testimony and
11.27 evidence and present and cross-examine witnesses, either personally or through an attorney
11.28 or other representative.

11.29 (c) The decision of the board must:

11.30 (1) be in writing;

11.31 (2) be personally delivered or mailed to the unit owner as soon as practicable after the
11.32 hearing;

12.1 (3) explain the reason for the decision; and

12.2 (4) cite the applicable provision or provisions of any declaration, articles of incorporation,
 12.3 bylaws, lease, or rules and regulations of the association.

12.4 Subd. 7. **Alternative dispute resolution.** (a) A unit owner and the association may at
 12.5 any time agree to engage in alternative dispute resolution.

12.6 (b) The alternative dispute resolution method may be binding or nonbinding. The cost
 12.7 for alternative dispute resolution shall be shared equally between the parties, unless another
 12.8 cost-sharing arrangement is mutually agreed upon.

12.9 Subd. 8. **Effect of resolution through association dispute resolution process.** A
 12.10 resolution arrived at by the parties through an informal process or after a hearing must be
 12.11 put in writing and signed by both parties. The signed document is binding on both parties
 12.12 and is judicially enforceable.

12.13 Subd. 9. **No retaliation.** Neither an association nor any of its agents may take, directly
 12.14 or indirectly, any retaliatory action against a unit owner because the owner has filed a dispute
 12.15 with the association.

12.16 **EFFECTIVE DATE.** This section is effective August 1, 2022.

12.17 Sec. 5. **[515B.3-123] FINES AND ATTORNEY FEES.**

12.18 Subdivision 1. **Fines.** (a) A fine under section 515B.3-102, paragraph (a), clause (11),
 12.19 must be commensurate with the violation.

12.20 (b) An association may not levy a fine against a unit owner for a violation of any provision
 12.21 of the governing documents committed by an invitee of the owner unless:

12.22 (1) the owner participated in or authorized the violation;

12.23 (2) the owner was aware of the commission or intent to commit the violation and made
 12.24 no attempt to prevent it; or

12.25 (3) the violation poses an imminent threat to the health, safety, or welfare to other unit
 12.26 owners, visitors, or staff.

12.27 Subd. 2. **Attorney fees.** An association, prior to issuing a notice under section 580.03
 12.28 initiating a foreclosure of a lien under section 515B.3-116, may not assess attorney fees to
 12.29 any unit owner for:

12.30 (1) providing advice to the association regarding a dispute between a unit owner and
 12.31 the association;

13.1 (2) preparing or delivering notices, demands for payment, responses to complaints or
13.2 disputes by unit owners, or other communications to the unit owner on behalf of the board;
13.3 or

13.4 (3) the association's participation in the dispute resolution process under section
13.5 515B.3-122.

13.6 **EFFECTIVE DATE.** This section is effective August 1, 2022.

13.7 Sec. 6. **[515B.3-124] PAYMENT PLANS FOR ARREARS.**

13.8 In collecting past-due assessments and other delinquent payments, an association must
13.9 offer and enter into a reasonable, mutually agreeable payment plan with the unit owner to
13.10 satisfy any arrears. The payment plan must be consistent with a unit owner's financial
13.11 circumstances and any extenuating circumstances of the household. An association may,
13.12 but is not required to, offer a new payment plan if the unit owner defaults on the initial plan.

13.13 **EFFECTIVE DATE.** This section is effective August 1, 2022.