

CHAPTER 82--S.F.No. 1750

An act relating to common interest communities; modifying powers and duties of common interest communities; modifying rights of a unit owner; modifying threshold for termination of a common interest community; requiring dispute resolution options; modifying notice of meetings; limiting late fees, fines, and attorney fees; modifying foreclosure requirements; prohibiting local governments from requiring creation of homeowners associations; amending Minnesota Statutes 2024, sections 515B.1-103; 515B.2-119; 515B.3-102; 515B.3-103; 515B.3-106; 515B.3-107; 515B.3-115; 515B.3-1151; 515B.3-116; 515B.4-1021; 515B.4-107; 515B.4-116; proposing coding for new law in Minnesota Statutes, chapter 515B.

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

Section 1. Minnesota Statutes 2024, section 515B.1-103, is amended to read:

515B.1-103 DEFINITIONS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(11a) "Construction defect claim" means a civil action or an arbitration proceeding based on any legal theory including, but not limited to, claims under chapter 327A for damages, indemnity, or contribution brought against a development party to assert a claim, counterclaim, cross-claim, or third-party claim for damages or loss to, or the loss of use of, real or personal property caused by a defect in the initial design or construction of an improvement to real property that is part of a common interest community, including an improvement that is constructed on additional real estate pursuant to section 515B.2-111. "Construction defect claim" does not include claims related to subsequent maintenance, repairs, alterations, or modifications to, or the addition of, improvements that are part of the common interest community, and that are contracted for by the association or a unit owner.

(12) "Conversion property" means real estate on which is located a building that at any time within two years before creation of the common interest community was occupied, in whole or in part, for (i) residential use or (ii) for residential rental purposes by persons other than purchasers and persons who occupy with the consent of purchasers.

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

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

(15) "Declarant" means:

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

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

(iii) if (A) a unit has been restricted to nonresidential use and sold to a purchaser who has agreed to modify or waive, in whole or in part, sections 515B.4-101 to 515B.4-118, and (B) the restriction expires or is modified or terminated such that residential use of the unit is permitted, the unit owner at the time the restriction expires or is so modified or terminated is a declarant with respect to that unit and any improvements subject to use rights by a purchaser of the unit.

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

(16a) "Development party" means an architect, contractor, construction manager, subcontractor, developer, declarant, engineer, or private inspector performing or furnishing the design, supervision, inspection, construction, coordination, or observation of the construction of any improvement to real property that is part of a common interest community, or any of the person's affiliates, officers, directors, shareholders, members, or employees.

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

(17a) "First mortgage" means either (i) if there is only one mortgage encumbering title to a unit, that mortgage, or (ii) if there are multiple mortgages encumbering title to a unit, the mortgage that is first in priority, whether by operation of applicable law or by a properly recorded agreement.

(17b) "First mortgagee" means the holder of a first mortgage.

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

(18a) "Governing documents" means the declaration, articles of incorporation, bylaws, and rules and regulations of an association as amended.

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

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

(21) "Master association" means an entity created on or after June 1, 1994, that directly or indirectly exercises any of the powers set forth in section 515B.3-102 on behalf of one or more members described in section 515B.2-121(b), (i), (ii) or (iii), whether or not it also exercises those powers on behalf of one or more property owners' associations described in section 515B.2-121(b)(iv). A person (i) hired by an association

to perform maintenance, repair, accounting, bookkeeping or management services, or (ii) granted authority under an instrument recorded primarily for the purpose of creating rights or obligations with respect to utilities, access, drainage, or recreational amenities, is not, solely by reason of that relationship, a master association.

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

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

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

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

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

(26a) "Property manager" means a person with whom the association contracts to perform management services and includes, without limitation, the property manager's employees and agents.

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

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

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

(30) "Residential use" means use as a dwelling, whether primary, secondary or seasonal, but not (i) transient use such as hotels or motels, (ii) use for residential rental purposes if the individual dwellings are not separate units or if the individual dwellings are not located on separate parcels of real estate. For purposes of this chapter, a unit is restricted to nonresidential use if the unit is subject to a restriction that prohibits residential use as defined in this section whether or not the restriction also prohibits the uses described in this paragraph.

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

(32) "Security interest" means a perfected interest in real estate or personal property, created by contract or conveyance, which secures payment or performance of an obligation. The term includes a mortgagee's interest in a mortgage, a vendor's interest in a contract for deed, a lessor's interest in a lease intended as

security, a holder's interest in a sheriff's certificate of sale during the period of redemption, an assignee's interest in an assignment of leases or rents intended as security, in a cooperative, a lender's interest in a member's ownership interest in the association, a pledgee's interest in the pledge of an ownership interest, or any other interest intended as security for an obligation under a written agreement.

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

- (i) complete improvements indicated on the CIC plat, planned by the declarant consistent with the disclosure statement or authorized by the municipality in which the CIC is located;
- (ii) add additional real estate to a common interest community;
- (iii) subdivide or combine units, or convert units into common elements, limited common elements, or units;
- (iv) maintain sales offices, management offices, signs advertising the common interest community, and models;
- (v) use easements through the common elements for the purpose of making improvements within the common interest community or any additional real estate;
- (vi) create a master association and provide for the exercise of authority by the master association over the common interest community or its unit owners;
- (vii) merge or consolidate a common interest community with another common interest community of the same form of ownership; or
- (viii) appoint or remove any officer or director of the association, or the master association where applicable, during any period of declarant control.

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

- (i) to complete improvements indicated on the CIC plat, planned by the declarant consistent with the disclosure statement or authorized by the municipality in which the common interest community is located, and to have and use easements for itself and its employees, agents, and contractors through the common elements for such purposes;
- (ii) to add additional real estate to a common interest community;
- (iii) to subdivide or combine units, or convert units into common elements, limited common elements and/or units, pursuant to section 515B.2-112;
- (iv) to maintain and use sales offices, management offices, signs advertising the common interest community, and models, and to have and use easements for itself and its employees, agents, and invitees through the common elements for such purposes;
- (v) to appoint or remove any officer or director of the association during any period of declarant control;
- (vi) to utilize an alternate common expense plan as provided in section 515B.3-115(a)(2);

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

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

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

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

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

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

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

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

Sec. 2. Minnesota Statutes 2024, section 515B.2-119, is amended to read:

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

(a) Except as otherwise provided in this chapter, a common interest community may be terminated as follows:

(1) if a common interest community consists entirely of detached, single-family dwellings that does not include any common elements and the association has no maintenance obligations for any building that contains a dwelling, the common interest community may be terminated only by the written agreement of unit owners of units to which at least 67 percent of the votes in the association are allocated, provided that agreement shall be deemed to have been provided by any unit owner who has not otherwise indicated a preference and whose written refusal to agree is not received by the association within 60 days after the association has provided notice of the proposed termination by certified United States mail, postage prepaid, and return receipt requested. Termination of the common interest community does not relieve the association of its obligations under any contract other than the declaration; or

(2) a common interest community not subject to clause (1) may be terminated only by agreement of unit owners of units to which at least 80 percent of the votes in the association are allocated, and 80 percent of the first mortgagees of units (each mortgagee having one vote per unit financed), or any larger percentage the declaration specifies. The declaration may specify a smaller percentage only if all of the units are restricted to nonresidential use.

(b) An agreement to terminate shall be evidenced by a written agreement, executed in the same manner as a deed by the number of unit owners and first mortgagees of units required by subsection (a). The agreement shall specify a date after which the agreement shall be void unless recorded before that date. The agreement shall also specify a date by which the termination of the common interest community and the winding up of its affairs must be accomplished. A certificate of termination executed by the association evidencing the termination shall be recorded on or before the termination date, or the agreement to terminate shall be revoked. The agreement to terminate, or a memorandum thereof, and the certificate of termination shall be recorded in every county in which a portion of the common interest community is situated and is effective only upon recording.

(c) In the case of a condominium or planned community containing only units having upper and lower boundaries, a termination agreement may provide that all of the common elements and units of the common interest community must be sold following termination. If, pursuant to the agreement, any real estate in the common interest community is to be sold following termination, the termination agreement shall set forth the minimum terms of sale acceptable to the association.

(d) In the case of a condominium or planned community containing any units not having upper and lower boundaries, a termination agreement may provide for sale of the common elements, but it may not require that the units be sold following termination, unless the original declaration provided otherwise or all unit owners whose units are to be sold consent to the sale. If, pursuant to the agreement, any real estate in the common interest community is to be sold following termination, the termination agreement shall set forth the minimum terms of sale acceptable to the association.

(e) The association, on behalf of the unit owners, shall have authority to contract for the sale of real estate in a common interest community pursuant to this section, subject to the required approval. The agreement to terminate shall be deemed to grant to the association a power of attorney coupled with an interest to effect the conveyance of the real estate on behalf of the holders of all interests in the units, including without limitation the power to execute all instruments of conveyance and related instruments. Until the sale has been completed, all instruments in connection with the sale have been executed and the sale proceeds distributed, the association shall continue in existence with all powers it had before termination.

(1) The instrument conveying or creating the interest in the common interest community shall include as exhibits (i) an affidavit of the secretary of the association certifying that the approval required by this section has been obtained and (ii) a schedule of the names of all unit owners in the common interest community as of the date of the approval.

(2) Proceeds of the sale shall be distributed to unit owners and secured parties as their interests may appear, in accordance with subsections (h), (i), (j), and (k).

(3) Unless otherwise specified in the agreement of termination, until the association has conveyed title to the real estate, each unit owner and the unit owner's successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted the unit. During the period of that occupancy, each unit owner and the unit owner's successors in interest remain liable for all assessments and other obligations imposed on unit owners by this chapter, the declaration or the bylaws.

(f) The legal description of the real estate constituting the common interest community shall, upon the date of recording of the certificate of termination referred to in subsection (b), be as follows:

(1) In a planned community utilizing a CIC plat complying with section 515B.2-110(d)(1) and (2), the lot and block description contained in the CIC plat, and any amendments thereto, subject to any subsequent conveyance or taking of a fee interest in any part of the property.

(2) In a condominium or cooperative, or a planned community utilizing a CIC plat complying with section 515B.2-110(c), the underlying legal description of the real estate as set forth in the declaration creating the common interest community, and any amendments thereto, subject to any subsequent conveyance or taking of a fee interest in any part of the property.

(3) The legal description referred to in this subsection shall apply upon the recording of the certificate of termination. The recording officer for each county in which the common interest community is located shall index the property located in that county in its records under the legal description required by this subsection from and after the date of recording of the certificate of termination. In the case of registered property, the registrar of titles shall cancel the existing certificates of title with respect to the property and issue one or more certificates of title for the property utilizing the legal description required by this subsection.

(g) In a condominium or planned community, if the agreement to terminate provides that the real estate constituting the common interest community is not to be sold following termination, title to the common elements and, in a common interest community containing only units having upper and lower boundaries described in the declaration, title to all the real estate in the common interest community, vests in the unit owners upon termination as tenants in common in proportion to their respective interest as provided in subsection (k), and liens on the units shift accordingly. While the tenancy in common exists, each unit owner and the unit owner's successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted the unit.

(h) The proceeds of any sale of real estate pursuant to subsection (e), together with the assets of the association, shall be held by the association as trustee for unit owners, secured parties and other holders of liens on the units as their interests may appear. Before distributing any proceeds, the association shall have authority to deduct from the proceeds of sale due with respect to the unit (i) unpaid assessments levied by the association with respect to the unit, (ii) unpaid real estate taxes or special assessments due with respect to the unit, and (iii) the share of expenses of sale and winding up of the association's affairs with respect to the unit.

(i) Following termination of a condominium or planned community, creditors of the association holding liens on the units perfected before termination may enforce those liens in the same manner as any lienholder, in order of priority based upon their times of perfection. All other creditors of the association are to be treated as if they had perfected liens on the units immediately before termination.

(j) In a cooperative, the declaration may provide that all creditors of the association have priority over any interests of unit owners and creditors of unit owners. In that event, following termination, creditors of the association holding liens on the cooperative which were perfected before termination may enforce their liens in the same manner as any lienholder, in order of priority based upon their times of perfection. All other creditors of the association shall be treated as if they had perfected a lien against the cooperative immediately before termination. Unless the declaration provides that all creditors of the association have that priority:

(1) the lien of each creditor of the association which was perfected against the association before termination becomes, upon termination, a lien against each unit owner's interest in the unit as of the date the lien was perfected;

(2) any other creditor of the association is to be treated upon termination as if the creditor had perfected a lien against each unit owner's interest immediately before termination;

(3) the amount of the lien of an association's creditor described in paragraphs (1) and (2) against each of the unit owners' interest shall be proportionate to the ratio which each unit's common expense liability bears to the common expense liability of all of the units;

(4) the lien of each creditor of each unit owner which was perfected before termination continues as a lien against that unit owner's interest in the unit as of the date the lien was perfected; and

(5) the assets of the association shall be distributed to all unit owners and all lienholders as their interests may appear in the order described in this section. Creditors of the association are not entitled to payment from any unit owner in excess of the amount of the creditor's lien against that unit owner's interest.

(k) The respective interest of unit owners referred to in subsections (e), (f), (g), (h) and (i) are as follows:

(1) Except as provided in paragraph (2), the respective interests of unit owners are the fair market values of their units, allocated interests, and any limited common elements immediately before the termination, as determined by one or more independent appraisers selected by the association. The decision of the independent appraisers must be distributed to the unit owners and becomes final unless disapproved within 30 days after distribution by unit owners of units to which 25 percent of the votes in the association are allocated. The proportion of any unit's interest to that of all units is determined by dividing the fair market value of that unit by the total fair market values of all the units.

(2) If any unit or any limited common element is destroyed to the extent that an appraisal of the fair market value thereof before destruction cannot be made, the interests of all unit owners shall be measured by: (i) in a condominium, their allocations of common element interests immediately before the termination, (ii) in a cooperative, their respective ownership interests immediately before the termination, and (iii) in a planned community, their respective allocations of common expenses immediately before the termination.

(l) In a condominium or planned community, except as provided in subsection (m), foreclosure or enforcement of a lien or encumbrance against the entire common interest community does not terminate, of itself, the common interest community, and foreclosure or enforcement of a lien or encumbrance against a portion of the common interest community does not withdraw that portion from the common interest community.

(m) In a condominium or planned community, if a lien or encumbrance against a portion of the real estate comprising the common interest community has priority over the declaration and the lien or encumbrance has not been partially released, the parties foreclosing the lien or encumbrance, upon foreclosure, may record an instrument excluding the real estate subject to that lien or encumbrance from the common interest community.

(n) Following the termination of a common interest community in accordance with this section, the association shall be dissolved in accordance with law.

EFFECTIVE DATE. This section is effective January 1, 2027, and applies to all terminations under this section initiated on or after that date.

Sec. 3. Minnesota Statutes 2024, section 515B.3-102, is amended to read:

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

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

(1) adopt, amend and revoke rules and regulations not inconsistent with the articles of incorporation, bylaws and declaration, as follows: (i) regulating the use of the common elements; (ii) regulating the use of the units, and conduct of unit occupants, which may jeopardize the health, safety or welfare of other occupants, which involves noise or other disturbing activity, or which may damage the common elements or other units; (iii) regulating or prohibiting animals; (iv) regulating changes in the appearance of the common elements and conduct which may damage the common interest community; (v) regulating the exterior appearance of the common interest community, including, for example, balconies and patios, window treatments, and signs and other displays, regardless of whether inside a unit; (vi) implementing the articles of incorporation, declaration and bylaws, and exercising the powers granted by this section; and (vii) otherwise facilitating the operation of the common interest community. Rules and regulations adopted must be reasonable. An association must give unit owners no less than 21 days' notice before the association votes to adopt, amend, or revoke a rule or regulation to review and comment on the proposed change. Notice may be provided in any reasonable manner. An association may adopt a temporary rule without notice in exigent circumstances, provided the board acts as soon as practicable to give the requisite notice to unit owners before adopting the rule permanently. Nothing in this chapter prevents the unit owners from asking the board to adopt, amend, or revoke a rule or regulation;

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

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

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

(5) make contracts and incur liabilities;

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

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

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

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

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

(11) ~~impose interest and late charges for late payment of assessments and, after notice and an opportunity to be heard before the board or a committee appointed by it, levy reasonable fines for violations of the~~

declaration, bylaws, and rules and regulations of the association, provided that attorney fees and costs must not be charged or collected from a unit owner who disputes a fine or assessment and, if after the homeowner requests a hearing and a hearing is held by the board or a committee of the board, the board does not adopt a resolution levying the fine or upholding the assessment against the unit owner or owner's unit; unless, at a board meeting, a greater amount is approved by owners of units to which a majority of the votes in the association are allocated, impose a fine not to exceed \$100 for a single violation of the declaration, bylaws, and rules and regulations, except the association may impose a fine greater than \$100 for a subsequent violation for the same conduct, or if the violation:

(i) has a serious and immediate impact on the health or safety of a resident, occupant, or guest;

(ii) causes physical damage to another unit or a common element; or

(iii) involves using the property for financial enrichment, including renting or offering for rent a unit in violation of the declaration, bylaws, or a rule or regulation prohibiting short-term or long-term rentals.

A unit owner pursuant to section 515B.3-115(g) or 515B.3-1151(g), after receiving notice of a violation or a notice of an assessment, has the opportunity to be heard before the board or a committee appointed by it to contest the fine or assessment. A unit owner, within 30 days after receipt of the notice, must request a hearing, unless the declaration provides for a different period. The unit owner has the right to be advised by an attorney or a designated representative at the hearing. If a hearing is requested by a unit owner, attorney fees and costs must not be charged or collected from a unit owner unless the hearing is held and the board or committee adopts a final resolution upholding the fine or assessment against the unit owner or owner's unit. The association must provide, in any reasonable manner, a copy of the final resolution within 30 days of its adoption. The resolution must contain an explanation for upholding the fine or assessment to the unit owner.

If the association's governing documents authorize the association to impose fines for violations of the governing documents, an association must provide a list of fines for common violations of the governing documents and a description of the remedies available to the association to every unit owner in any reasonable manner, including but not limited to electronic mailing or posting on the association's website, including when the schedule is amended by the association;

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

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

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

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

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

(17) impose interest only on delinquent assessments for common expenses or special assessments not to exceed eight percent; and

(18) impose a fee for late payment of common expenses and special assessments not to exceed the greater of \$20 or five percent of the amount owed.

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

(c) An association that levies a fine pursuant to subsection (a)(11), or an assessment pursuant to section 515B.3-115(g), or 515B.3-1151(g), must provide a dated, written notice to a unit owner that:

(1) states the amount and reason for the fine or assessment;

(2) for fines levied under section 515B.3-102(a)(11), specifies: (i) the violation for which a fine is being levied and the date of the levy; and (ii) the specific section of the declaration, bylaws, rules, or regulations allegedly violated;

(3) for assessments levied under section 515B.3-115(g) or 515B.3-1151(g), identifies: (i) the damage caused; and (ii) the act or omission alleged to have caused the damage;

(4) states that ~~all~~ unpaid fines for certain violations subject to section 515B.3-116(h), and all assessments are liens which, if not satisfied, could lead to foreclosure of the lien against the owner's unit;

(5) describes the unit owner's right to be heard by the board or a committee appointed by the board and the steps a unit owner must take to schedule the hearing;

(6) states that if the assessment, fine, late fees, and other allowable charges are not paid, the amount may increase as a result of the imposition of attorney fees and other collection costs; and

(7) informs the unit owner that homeownership ~~assistance~~ advice is available from the Minnesota Homeownership Center and dispute resolution and other information services are available from the common interest community ombudsperson.

(d) Notwithstanding subsection (a), powers exercised under this section must comply with sections 500.215, 500.216, and 500.217.

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

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

(2) obtain the approval of owners of units to which a majority of the total votes in the association are allocated. Votes allocated to units owned by the declarant, an affiliate of the declarant, or a mortgagee who obtained ownership of the unit through a foreclosure sale are excluded. The association may obtain the required approval by a vote at an annual or special meeting of the members or, if authorized by the statute under which the association is created and taken in compliance with that statute, by a vote of the members taken by electronic means or mailed ballots. If the association holds a meeting and voting by electronic means or mailed ballots is authorized by that statute, the association shall also provide for voting by those methods. Section 515B.3-110(c) applies to votes taken by electronic means or mailed ballots, except that the votes must be used in combination with the vote taken at a meeting and are not in lieu of holding a meeting, if a meeting is held, and are considered for purposes of determining whether a quorum was present.

Proxies may not be used for a vote taken under this paragraph unless the unit owner executes the proxy after receipt of the notice required under subsection (e)(1) and the proxy expressly references this notice.

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

(g) An association may not refuse to accept payment from an owner of any amount for any assessment, fine, or fee, except if the association has commenced a foreclosure under chapter 580 or 581. Acceptance of a payment does not constitute a waiver of any claim or defense the association may assert. Nothing in this paragraph affects the unit owner's right to reinstate under section 580.30.

(h) A payment by a unit owner must be applied to assessments for common expenses and special assessments first before it is applied to fines, fees, or other assessments, except that the payment can be applied:

(1) in a different manner upon the agreement of the unit owner and the association; or

(2) by the association to fines that remain unpaid for more than 120 days if the fine is for a violation that:

(i) has a serious and immediate impact on the health or safety of a resident, occupant, or guest;

(ii) causes physical damage to another unit or a common element; or

(iii) involves using the property for financial enrichment, including renting or offering for rent a unit in violation of the declaration, bylaws, or a rule or regulation prohibiting short-term or long-term rentals, as provided under subsection (a)(11).

An association must consider offering a reasonable payment plan for a delinquency.

(i) A board must allow a unit owner to present, orally or in writing, a grievance to the board or a committee appointed by the board on a matter other than a fine governed under subsection (a)(11), or an application to alter a unit under section 515B.3-107(e). The board must make a good faith effort to resolve the grievance or, if resolution is not achieved, refer the unit owner to the common interest community ombudsperson. An association may not impose any fees or charges on the unit owner for making the presentation.

EFFECTIVE DATE. This section is effective January 1, 2027, and applies to action taken by an association on or after that date.

Sec. 4. Minnesota Statutes 2025 Supplement, section 515B.3-103, is amended to read:

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

(a) An association shall be governed by a board of directors whose appointment or election shall occur no later than the date of creation of the common interest community and shall be reflected in the association's records. Except as expressly prohibited by the declaration, the articles of incorporation, bylaws, subsection (b), or other provisions of this chapter, the board may act in all instances on behalf of the association. In the performance of their duties, the officers and directors are required to exercise (i) if appointed by the declarant, the care required of fiduciaries of the unit owners and (ii) if elected by the unit owners, the care required of

a director by section 302A.251, 308B.455, 308C.455, or 317A.251, as applicable. The officers and directors appointed by the declarant shall have a duty to fulfill, and to cause the association to fulfill, their respective obligations under the declaration, bylaws, articles of incorporation, and this chapter and to enforce the provisions of the declaration, bylaws, articles of incorporation, and this chapter against all unit owners, including the declarant and its affiliates, in a uniform and fair manner. The standards of conduct for officers and directors set forth in this subsection shall also apply to the officers and directors of master associations in the exercise of their duties on behalf of the master association.

(b) The board may not act unilaterally to amend the declaration, to terminate the common interest community, to elect directors to the board, or to determine the qualifications, powers and duties, or terms of office of directors, but the board may fill vacancies in its membership created other than by removal by the vote of the association members for the unexpired portion of any term.

(c) The declaration may provide for a period of declarant control of the association, during which a declarant, or persons designated by the declarant, may appoint and remove the officers and directors of the association. The period of declarant control begins on the date of creation of the common interest community and terminates upon the earliest of the following events: (i) five years after the date of the first conveyance of a unit to a unit owner other than a declarant in the case of a flexible common interest community or three years in the case of any other common interest community, (ii) the declarant's voluntary surrender of control by giving written notice to the unit owners pursuant to section 515B.1-115, or (iii) the conveyance of 75 percent of the units to unit owners other than a declarant.

(d) The board shall cause a meeting of the unit owners to be called, as follows:

(1) If the period of declarant control has terminated pursuant to subsection (c), a meeting of the unit owners shall be called and held within 60 days after said termination, at which the board shall be appointed or elected by all unit owners, including declarant, subject to the requirements of subsection (e).

(2) If 50 percent of the units that a declarant is authorized by the declaration to create have been conveyed prior to the termination of the declarant control period, a meeting of the unit owners shall be called and held within 60 days thereafter, at which not less than 33-1/3 percent of the members of the board shall be elected by unit owners other than a declarant or an affiliate of a declarant.

(3) If the board fails or refuses to cause a meeting of the unit owners required to be called pursuant to subsection (d), then the unit owners other than a declarant and its affiliates may cause the meeting to be called pursuant to the applicable provisions of the law under which the association was created. The declarant and its affiliates shall be deemed to be present at the meeting for purposes of establishing a quorum regardless of their failure to attend the meeting.

(e) Following the termination of any period of declarant control, the unit owners shall appoint or elect the board. All unit owners, including the declarant and its affiliates, may cast the votes allocated to any units owned by them. The board shall thereafter be subject to the following:

(1) Unless otherwise approved by a vote of unit owners other than the declarant or an affiliate of the declarant, a majority of the directors shall be unit owners or a natural person designated by a unit owner that is not a natural person, other than a declarant or an affiliate of a declarant. The remaining directors need not be unit owners unless required by the articles of incorporation or bylaws.

(2) Subject to the requirements of subsection (e)(1), the articles of incorporation or bylaws may authorize the declarant or a person designated by the declarant to appoint one director, who need not be a member. The articles of incorporation or bylaws shall not be amended to change or terminate the authorization to

appoint one director without the written consent of the declarant or other person possessing the power to appoint.

(3) Subject to the requirements of subsection (e)(1), the articles of incorporation or bylaws may authorize special classes of directors and director voting rights, as follows: (i) classes of directors, (ii) the appointment or election of directors in certain classes by certain classes of members, or (iii) class voting by classes of directors on issues affecting only a certain class or classes of members, units, or other parcels of real estate, or to otherwise protect the legitimate interest of such class or classes. No person may utilize such special classes or class voting for the purpose of evading any limitation imposed on declarants by this chapter.

(4) The board shall elect the officers. The directors and officers shall take office upon election. Elections of directors must occur regularly, as provided in section 515B.3-108. Each term of a director must not exceed three years, provided there is no limit on the number of terms a director may serve. The terms of directors must be staggered, unless the duration of the terms is one year or less. If filling a vacancy on the board of directors, the director will serve the remainder of the term vacated until a new election is held at the end of the term as provided in section 515B.3-108.

(f) In determining whether the period of declarant control has terminated under subsection (c), or whether unit owners other than a declarant are entitled to elect members of the board of directors under subsection (d), the percentage of the units conveyed shall be calculated using as a numerator the number of units conveyed and as a denominator the number of units subject to the declaration plus the number of units which the declarant is authorized by the declaration to create on any additional real estate. The percentages referred to in subsections (c) and (d) shall be calculated without reference to units that are auxiliary to other units, such as garage units or storage units. A person shall not use a master association or other device to evade the requirements of this section.

(g) Except as otherwise provided in this subsection, all meetings of the board of directors must be open to the unit owners. To the extent practicable, The board shall give reasonable notice to the unit owners of the date, time, and place of a board meeting. The board must make the meeting agenda, and contracts or other documents the board intends to approve or disapprove at the board meeting, available to unit owners in any reasonable manner, including but not limited to electronic mailing or posting on the association's website. The requirement to make documents available to unit owners does not apply to documents related to items discussed at a closed meeting of the board. If the date, time, and place of meetings are provided for in the declaration, articles, or bylaws, announced at a previous meeting of the board, posted in a location accessible to the unit owners and designated by the board from time to time, or if an emergency requires immediate consideration of a matter by the board, notice is not required. "Notice" has the meaning given in section 317A.011, subdivision 14. Before any action is taken on an agenda item at any board meeting open to unit owners, a unit owner, or a person designated in writing by the owner, must be permitted to speak at a time designated by the board on an agenda item. To the extent known, a unit owner must make a good faith attempt to notify the board in advance of the owner's intent to speak on an agenda item at the meeting. Nothing prohibits a unit owner from requesting that an item be added to the agenda or providing a written comment to the board in advance of the meeting. The board may place a reasonable limit on the time a member is allowed to speak and may, after a warning by the chair of the meeting, expel any person who disrupts the meeting or causes a disturbance. A board may not impose a fine for exercising the right to speak or provide a written statement. Meetings may be closed to discuss the following:

(1) personnel matters;

(2) pending or potential litigation, arbitration or other potentially adversarial proceedings, between unit owners, between the board or association and unit owners, or other matters in which any unit owner may

have an adversarial interest, if the board determines that closing the meeting is necessary to discuss strategy or to otherwise protect the position of the board or association or the privacy of a unit owner or occupant of a unit; or

(3) criminal activity arising within the common interest community if the board determines that closing the meeting is necessary to protect the privacy of the victim or that opening the meeting would jeopardize investigation of the activity.

Nothing in this subsection imposes a duty on the board to provide special facilities for meetings. The failure to give notice as required by this subsection shall not invalidate the board meeting or any action taken at the meeting. The minutes of any part of a meeting that is closed under this subsection may be kept confidential at the discretion of the board. For the purposes of this subsection, an association is not required to issue a notice or keep minutes for a meeting between board members, or between one or more board members and officers, if the subject of the meeting is solely to discuss issues related to basic maintenance, or daily operations and management of the association, in accordance with their duties as outlined in the governing documents, provided the meeting does not result in a vote or formal action by the board.

In addition to conflict of interest provisions set forth in the statute under which the association was organized, the following standards apply to elected boards:

(1) a board member must not participate in deliberations regarding or vote on the approval or disapproval of a contract to which the association is or may be a party where the board member or a member of the family of a board member has a material financial interest in the contract or is likely to realize a material financial gain as a result of entering into the contract. For the purposes of this section, "member of the family" has the meaning given in section 317A.255, subdivision 4;

(2) a board member must not solicit or accept any money or other compensation from any person as an inducement for the board member to vote in favor of the approval of a contract for property maintenance, construction, repair, or reconstruction services that is binding on the association. If an association has authorized a property manager to enter into contracts on behalf of the association, the property manager must not solicit or accept any money or other compensation from any person as an inducement to the property manager to enter into a contract for property maintenance, construction, repair, or reconstruction services that is binding on the association; and

(3) prior to entering into any contract for property maintenance, construction, repair, or reconstruction services with an estimated cost exceeding \$50,000, the board or property managers must solicit a minimum of three written competitive bids. All bids from a person affiliated with a board member, a member of the family of a board member, a property manager, or any member of the family of a property manager or employee must be disclosed prior to consideration or a vote on the bids. A written record of the disclosures must be retained and recorded in the meeting minutes.

(h) The board must review all bids and select a vendor based on reasonable business criteria, including but not limited to, the cost of the project, the contractor's qualifications, available warranties, the extent to which the bidder has met the bid solicitation requirements, and the length of time estimated to complete the project.

(i) An association is not obligated to comply with the bidding requirements of this subsection if:

(1) multiple bids cannot be obtained despite reasonable efforts;

(2) emergency repairs are required to protect the health or safety of the unit owners;

(3) there has been significant damage to the property that must be addressed without delay to prevent further damage to the property;

(4) the work is covered by a warranty;

(5) the vendor is the only available vendor capable of providing the required goods or services; or

(6) the cost of materials does not exceed \$50,000 and labor is performed at no charge by volunteers.

(j) The association must maintain a record of the bid selection process, including the criteria used, and the contracts awarded for the last six years, and make those records available to unit owners at cost or as otherwise provided in section 515B.3-118.

(k) A contract entered into by a declarant with a property manager shall terminate no later than 12 months after the declarant control period has ended. A contract entered into by an association with a property manager after the declarant control period has ended that does not automatically renew may be terminated by the association, with or without cause, upon three months' written notice. An association may decline to renew an automatically renewing contract for another term, provided the association gives written notice to the other party no less than three months before the date the contract will automatically renew.

EFFECTIVE DATE. This section is effective January 1, 2027, and applies to all association activities on or after that date.

Sec. 5. Minnesota Statutes 2024, section 515B.3-106, is amended to read:

515B.3-106 BYLAWS; ANNUAL REPORT.

(a) A common interest community shall have bylaws which comply with this chapter and the statute under which the association is incorporated. The bylaws and any amendments may be recorded, but need not be recorded to be effective unless so provided in the bylaws.

(b) The bylaws shall provide that, in addition to any statutory requirements:

(1) A meeting of the members shall be held at least once each year, and a specified officer of the association shall give notice of the meeting as provided in section 515B.3-108.

(2) An annual report shall be prepared by the association and a copy of the report shall be provided to each unit owner at or prior to the annual meeting.

(c) The annual report shall contain at a minimum:

(1) a statement of any capital expenditures in excess of two percent of the current budget or \$5,000, whichever is greater, approved by the association for the current fiscal year or succeeding two fiscal years;

(2) a statement of the association's total replacement reserves, the components of the common interest community for which the reserves are set aside, and the amounts of the reserves, if any, that the board has allocated for the replacement of each of those components;

(3) a copy of the statement of revenues and expenses for the association's last fiscal year, and a balance sheet as of the end of said fiscal year;

(4) a statement of the status of any pending litigation or judgments to which the association is a party;

(5) a detailed description of the insurance coverage provided by the association including a statement as to which, if any, of the items referred to in section 515B.3-113, subsection (b), are insured by the association and the amount of the association's deductible and the following notice: "IF THE ASSOCIATION LEVIES A LOSS ASSESSMENT, THE UNIT OWNER IS PERSONALLY RESPONSIBLE FOR PAYING IT, EVEN IF THE UNIT OWNER DOES NOT HAVE SUFFICIENT INSURANCE COVERAGE"; and

(6) a statement of the total past due assessments on all units, current as of not more than 60 days prior to the date of the meeting.

Sec. 6. Minnesota Statutes 2024, section 515B.3-107, is amended to read:

515B.3-107 UPKEEP OF COMMON INTEREST COMMUNITY.

(a) Except to the extent provided by the declaration, this subsection or section 515B.3-113, the association is responsible for the maintenance, repair and replacement of the common elements, and each unit owner is responsible for the maintenance, repair and replacement of the unit owner's unit. Damage to the common elements or any unit as a result of the acts or omissions of a unit owner or the association, including damage resulting from the unit owner's or association's lack of maintenance or failure to perform necessary repairs or replacement, is the responsibility of the unit owner or association responsible for causing the damage, or whose agents or invitees caused the damage.

(b) The association's board of directors shall prepare and approve a written preventative maintenance plan, maintenance schedule, and maintenance budget for the common elements. The association shall follow the approved preventative maintenance plan. The association's board may amend, modify, or replace an approved preventative maintenance plan or an approved maintenance schedule from time to time. The association must provide all unit owners with a paper copy, electronic copy, or electronic access to the preventative maintenance plan, the maintenance schedule, and any amendments or modifications to or replacements of the preventative maintenance plan and the maintenance schedule. If a common interest community was created on or before August 1, 2017, the association's board of directors shall have until January 1, 2019, to comply with the requirements of this subsection.

(c) The association shall have access through and into each unit for purposes of performing maintenance, repair or replacement for which the association may be responsible. The association and any public safety personnel shall also have access for purposes of abating or correcting any condition in the unit which violates any governmental law, ordinance or regulation, which may cause material damage to or jeopardize the safety of the common interest community, or which may constitute a health or safety hazard for occupants of units.

(d) Neither the association, nor any unit owner other than the declarant or its affiliates, is subject to a claim for payment of expenses incurred in connection with any additional real estate.

(e) An association with authority under the declaration to approve or disapprove a request by a unit owner who has a right granted under this chapter, or the declaration, to make alterations to the owner's unit must establish, by rule or regulation, a fair, reasonable, and expeditious procedure for making any decision on the proposed alteration. The association must provide the procedure to a unit owner who requests an alteration. Unless the declaration, bylaws, or rules and regulations provide for a different period, the board or a committee appointed by the board must make a decision within 90 days after submission of an application that contains all the information required or any additional information or changes to the proposal requested by the association's board. A decision must be in writing, must be made in accordance with the standards of conduct for directors set forth in the statute under which the association is organized, and must be reasonable.

(f) An association has no authority to regulate the parking of a unit owner or a guest, tenant, or invitee of the unit owner within an improved public right of way that a unit of government maintains and repairs, except that the association may, in its declaration or by rule or regulation, require compliance with all applicable statutes, laws, and ordinances. Absent legislative authorization, a unit of government does not have the authority to delegate its police powers to a private entity. If an association is an authorized delegatee, the delegation is valid for a period not to exceed five years, at which time it may be renewed upon application by the association and agreement of the unit of government. As used in this subsection, "personal vehicle" means an automobile with a gross vehicle weight of less than 26,001 pounds that is used for personal pleasure, travel, or commuting to and from a place of work, including but not limited to a van, pickup truck, small truck, ambulance, law enforcement vehicle, emergency response vehicle, or utility company vehicle. A personal vehicle does not include a motor home, a self-propelled recreational vehicle, or a commercial vehicle used primarily for commercial business unless otherwise stated in this section. A unit owner or resident must be permitted to park a personal or work vehicle on the portion of the unit owner's property or the portion of the limited common element allocated to the unit that was originally designed or subsequently modified for the parking of vehicles, provided the vehicle, when parked, does not encroach on another unit owner's property, fully or partially block access to a pedestrian walkway, or interfere with the association's ability to maintain roads, driveways, parking spaces, common elements, or limited common elements.

EFFECTIVE DATE. This section is effective January 1, 2027.

Sec. 7. Minnesota Statutes 2024, section 515B.3-115, is amended to read:

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

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

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

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

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

(ii) If the declaration provides for a reduced assessment pursuant to paragraph (2)(i), the declarant shall be obligated, within 60 days following the termination of the period of declarant control, to make up any operating deficit incurred by the association during the period of declarant control. The existence and amount, if any, of the operating deficit shall be determined using the accrual basis of accounting applied as of the date of termination of the period of declarant control, regardless of the accounting methodology previously used by the association to maintain its accounts.

(b) The replacement reserve component of the common expenses shall be funded for each unit in accordance with the projected annual budget required by section 515B.4-102(a)(23) provided that the funding of replacement reserves with respect to a unit shall commence no later than the date that the unit or any

building located within the unit boundaries is substantially completed. Substantial completion shall be evidenced by a certificate of occupancy in any jurisdiction that issues the certificate.

(c) After an assessment has been levied by the association, assessments shall be levied at least annually, based upon a budget approved at least annually by the association. The association shall make available in any reasonable manner a copy of the proposed budget prior to the meeting at which the budget is scheduled to be discussed and approved.

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

(e) Unless otherwise required by the declaration:

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

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

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

(4) subject to section 515B.3-102(a)(11), reasonable attorney fees and costs incurred by the association in connection with (i) the collection of assessments against a unit owner, and (ii) the enforcement of this chapter, the articles, bylaws, declaration, or rules and regulations against a unit owner, may be assessed against the unit owner's unit subject to section 515B.3-116(h); and

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

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

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

(h) Subject to any shorter period specified by the declaration or bylaws, if any installment of an assessment becomes more than 60 days past due, then the association may, upon ten days' written notice to the unit owner, declare the entire amount of the assessment immediately due and payable in full, except that any portion of the assessment that represents installments that are not due and payable without acceleration as of the date of reinstatement must not be included in the amount that a unit owner must pay to reinstate under section 580.30 or chapter 581.

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

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

(k) An association must adopt a collection policy and provide a copy to all unit owners.

The collection policy must require, at a minimum:

(1) three separate notifications to a unit owner before the account is referred to a law firm or collection agency for collections, including at least one notification sent by certified mail to the unit owner's registered address; and

(2) a law firm, engaged by the board to foreclose an association's lien for assessments, to send the notice required pursuant to section 580.021 by United States mail and certified mail to the unit owner.

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

EFFECTIVE DATE. This section is effective January 1, 2027.

Sec. 8. Minnesota Statutes 2024, section 515B.3-1151, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) After an assessment has been levied by the association, assessments shall be levied at least annually, based upon an annual budget approved by the association. The association shall make available, in any reasonable manner, a copy of the proposed budget prior to the meeting at which the budget is scheduled to be discussed and approved. In addition to and not in lieu of annual assessments, an association may, if so provided in the declaration, levy special assessments against all units in the common interest community based upon the same formula required by the declaration for levying annual assessments. Special assessments may be levied only (1) to cover expenditures of an emergency nature, (2) to replenish underfunded replacement

reserves, (3) to cover unbudgeted capital expenditures or operating expenses, or (4) to replace certain components of the common interest community described in section 515B.3-114(a), if such alternative method of funding is approved under section 515B.3-114(a)(5). The association may also levy assessments against fewer than all units as provided in subsections (e), (f), and (g). An assessment under subsection (e)(2) for replacement reserves is subject to the requirements of section 515B.3-1141(a)(5).

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

(e) Unless otherwise required by the declaration:

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

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

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

(4) subject to section 515B.3-102(a)(11), reasonable attorney fees and costs incurred by the association in connection with (i) the collection of assessments, and (ii) the enforcement of this chapter, the articles, bylaws, declaration, or rules and regulations, against a unit owner, may be assessed against the unit owner's unit, subject to section 515B.3-116(h); and

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

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

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

(h) Subject to any shorter period specified by the declaration or bylaws, if any installment of an assessment becomes more than 60 days past due, then the association may, upon ten days' written notice to the unit owner, declare the entire amount of the assessment immediately due and payable in full, except that any portion of the assessment that represents installments that are not due and payable without acceleration as of the date of reinstatement must not be included in the amount that a unit owner must pay to reinstate under section 580.30 or chapter 581.

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

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

(k) An association must adopt a collection policy and provide a copy to all unit owners.

The collection policy must require, at a minimum:

(1) three separate notifications to a unit owner before the account is referred to a law firm or collection agency for collections, including at least one notification sent by certified mail to the unit owner's registered address; and

(2) a law firm, engaged by the board to foreclose an association's lien for assessments, to send the notice required pursuant to section 580.021 by United States mail and certified mail to the unit owner.

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

EFFECTIVE DATE. This section is effective January 1, 2027.

Sec. 9. Minnesota Statutes 2024, section 515B.3-116, is amended to read:

515B.3-116 LIEN FOR ASSESSMENTS.

(a) The association has a lien on a unit for any assessment levied against that unit from the time the assessment becomes due. If an assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment thereof becomes due. Unless the declaration otherwise provides, fees, charges, ~~fin~~es as specified in subsection (h), and late charges, ~~fin~~es and interest charges pursuant to section ~~515B.3-102(a)(10), (11) and (12)~~ are liens, and are enforceable as assessments, under this section. Recording of the declaration constitutes record notice and perfection of any assessment lien under this section, and no further recording of any notice of or claim for the lien is required.

(b) Subject to subsection (c), a lien under this section is prior to all other liens and encumbrances on a unit except (i) liens and encumbrances recorded before the declaration and, in a cooperative, liens and encumbrances which the association creates, assumes, or takes subject to, (ii) any first mortgage encumbering the fee simple interest in the unit, or, in a cooperative, any first security interest encumbering only the unit owner's interest in the unit, (iii) liens for real estate taxes and other governmental assessments or charges against the unit, and (iv) a master association lien under section 515B.2-121(h). This subsection shall not affect the priority of mechanic's liens.

(c) If a first mortgage on a unit is foreclosed, the first mortgage was recorded after June 1, 1994, and no owner or person who acquires the owner's interest in the unit redeems pursuant to chapter 580, 581, or 582, the holder of the sheriff's certificate of sale from the foreclosure of the first mortgage or any person who acquires title to the unit by redemption as a junior creditor shall take title to the unit subject to a lien in favor of the association for unpaid assessments for common expenses levied pursuant to section 515B.3-115(a), (e)(1) to (3), (f), and (i) which became due, without acceleration, during the six months immediately preceding the end of the owner's period of redemption. The common expenses shall be based upon the association's then current annual budget, notwithstanding the use of an alternate common expense plan under section 515B.3-115(a)(2). If a first security interest encumbering a unit owner's interest in a cooperative unit which is personal property is foreclosed, the secured party or the purchaser at the sale shall take title to the unit subject to unpaid assessments for common expenses levied pursuant to section 515B.3-115(a), (e)(1) to (3), (f), and (i) which became due, without acceleration, during the six months immediately preceding the first day following either the disposition date pursuant to section 336.9-610 or the date on which the obligation of the unit owner is discharged pursuant to section 336.9-622.

(d) Proceedings to enforce an assessment lien shall be instituted within three years after the last installment of the assessment becomes payable, or shall be barred.

(e) The unit owner of a unit at the time an assessment is due shall be personally liable to the association for payment of the assessment levied against the unit. If there are multiple owners of the unit, they shall be jointly and severally liable.

(f) This section does not prohibit actions to recover sums for which subsection (a) creates a lien nor prohibit an association from taking a deed in lieu of foreclosure.

(g) The association shall furnish to a unit owner or the owner's authorized agent upon written request of the unit owner or the authorized agent a statement setting forth the amount of unpaid assessments currently levied against the owner's unit. If the unit owner's interest is real estate, the statement shall be in recordable form. The statement shall be furnished within ten business days after receipt of the request and is binding on the association and every unit owner.

(h) The association's lien may be foreclosed as provided in this subsection, provided that an association may not commence foreclosure unless common expenses and special assessments and fines that meet the conditions for exception to the limit specified in section 515B.3-102(a)(11), are delinquent for more than three months.

(1) In a condominium or planned community, regardless of when the condominium or planned community was created, the association's lien may be foreclosed in a like manner as a mortgage containing a power of sale pursuant to chapter 580, or by action pursuant to chapter 581. The association shall have a power of sale to foreclose the lien pursuant to chapter 580, except that any portion of the assessment that represents attorney fees or costs shall not be included in the amount a unit owner must pay to reinstate under section 580.30 or chapter 581.

(2) In a cooperative whose unit owners' interests are real estate, the association's lien shall be foreclosed in a like manner as a mortgage on real estate as provided in paragraph (1).

(3) In a cooperative whose unit owners' interests in the units are personal property, the association's lien shall be foreclosed in a like manner as a security interest under article 9 of chapter 336. In any disposition pursuant to section 336.9-610 or retention pursuant to sections 336.9-620 to 336.9-622, the rights of the parties shall be the same as those provided by law, except (i) notice of sale, disposition, or retention shall be served on the unit owner 90 days prior to sale, disposition, or retention, (ii) the association shall be entitled to its reasonable costs and attorney fees not exceeding the amount provided by section 582.01, subdivision 1a, (iii) the amount of the association's lien shall be deemed to be adequate consideration for the unit subject to disposition or retention, notwithstanding the value of the unit, and (iv) the notice of sale, disposition, or retention shall contain the following statement in capital letters with the name of the association or secured party filled in:

"THIS IS TO INFORM YOU THAT BY THIS NOTICE (fill in name of association or secured party) HAS BEGUN PROCEEDINGS UNDER MINNESOTA STATUTES, CHAPTER 515B, TO FORECLOSE ON YOUR INTEREST IN YOUR UNIT FOR THE REASON SPECIFIED IN THIS NOTICE. YOUR INTEREST IN YOUR UNIT WILL TERMINATE 90 DAYS AFTER SERVICE OF THIS NOTICE ON YOU UNLESS BEFORE THEN:

(a) THE PERSON AUTHORIZED BY (fill in the name of association or secured party) AND DESCRIBED IN THIS NOTICE TO RECEIVE PAYMENTS RECEIVES FROM YOU:

(1) THE AMOUNT THIS NOTICE SAYS YOU OWE; PLUS

(2) THE COSTS INCURRED TO SERVE THIS NOTICE ON YOU; PLUS

(3) \$500 TO APPLY TO ATTORNEY FEES ACTUALLY EXPENDED OR INCURRED; PLUS

(4) ANY ADDITIONAL AMOUNTS FOR YOUR UNIT BECOMING DUE TO (fill in name of association or secured party) AFTER THE DATE OF THIS NOTICE; OR

(b) YOU SECURE FROM A DISTRICT COURT AN ORDER THAT THE FORECLOSURE OF YOUR RIGHTS TO YOUR UNIT BE SUSPENDED UNTIL YOUR CLAIMS OR DEFENSES ARE FINALLY DISPOSED OF BY TRIAL, HEARING, OR SETTLEMENT. YOUR ACTION MUST SPECIFICALLY STATE THOSE FACTS AND GROUNDS THAT DEMONSTRATE YOUR CLAIMS OR DEFENSES.

IF YOU DO NOT DO ONE OR THE OTHER OF THE ABOVE THINGS WITHIN THE TIME PERIOD SPECIFIED IN THIS NOTICE, YOUR OWNERSHIP RIGHTS IN YOUR UNIT WILL TERMINATE AT THE END OF THE PERIOD, YOU WILL LOSE ALL THE MONEY YOU HAVE PAID FOR YOUR UNIT, YOU WILL LOSE YOUR RIGHT TO POSSESSION OF YOUR UNIT, YOU MAY LOSE YOUR RIGHT TO ASSERT ANY CLAIMS OR DEFENSES THAT YOU MIGHT HAVE, AND YOU WILL BE EVICTED. IF YOU HAVE ANY QUESTIONS ABOUT THIS NOTICE, CONTACT AN ATTORNEY IMMEDIATELY."

(4) In any foreclosure pursuant to chapter 580, 581, or 582, the rights of the parties shall be the same as those provided by law, except (i) the period of redemption for unit owners shall be six months from the date of sale or a lesser period authorized by law, (ii) in a foreclosure by advertisement under chapter 580, the foreclosing party shall be entitled to costs and disbursements of foreclosure and attorney fees authorized by the declaration or bylaws, notwithstanding the provisions of section 582.01, subdivisions 1 and 1a, (iii) in a foreclosure by action under chapter 581, the foreclosing party shall be entitled to costs and disbursements of foreclosure and attorney fees as the court shall determine, and (iv) the amount of the association's lien shall be deemed to be adequate consideration for the unit subject to foreclosure, notwithstanding the value of the unit.

(i) If a holder of a sheriff's certificate of sale, prior to the expiration of the period of redemption, pays any past due or current assessments, or any other charges lienable as assessments, with respect to the unit described in the sheriff's certificate, then the amount paid shall be a part of the sum required to be paid to redeem under section 582.03.

(j) In a cooperative, if the unit owner fails to redeem before the expiration of the redemption period in a foreclosure of the association's assessment lien, the association may bring an action for eviction against the unit owner and any persons in possession of the unit, and in that case section 504B.291 shall not apply.

(k) An association may assign its lien rights in the same manner as any other secured party.

EFFECTIVE DATE. This section is effective January 1, 2027, and applies to foreclosures commenced on or after that date.

Sec. 10. [515B.3-125] LEGAL FEES; NOTICE REQUIRED.

(a) If an association elects to refer a unit owner's inquiry to the association's legal counsel, the association must notify the unit owner in advance that the association:

(1) intends to refer the inquiry to the association's legal counsel; and

(2) may incur legal fees which may result in an assessment to the unit owner.

(b) The board must provide the notification under subsection (a) at no cost to the unit owner.

(c) Notice under this section is not required to be given before referring a matter to the association's legal counsel if:

(1) the matter involves pending or threatened litigation;

(2) the unit owner has retained legal counsel and the association is responding to the owner's attorney;

or

(3) immediate legal action is necessary to preserve the legal rights of the association or to prevent immediate harm to persons or property.

EFFECTIVE DATE. This section is effective January 1, 2027.

Sec. 11. Minnesota Statutes 2024, section 515B.4-1021, is amended to read:

515B.4-1021 DISCLOSURE STATEMENT; GENERAL PROVISIONS; CIC CREATED ON OR AFTER AUGUST 1, 2010.

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

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

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

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

(4) a general description of the common interest community, including, at a minimum, (i) the number of buildings, (ii) the number of dwellings per building, (iii) the type of construction, (iv) whether the common interest community involves new construction or rehabilitation, (v) whether any building was wholly or partially occupied, for any purpose, before it was added to the common interest community, and the nature of the occupancy, (vi) a general description of any roads, trails, or utilities that are located on the common elements and that the association or master association will be required to maintain, (vii) a description of any declarant licensing rights under section 515B.2-109(e), and (viii) the initial maintenance plan, initial maintenance schedule, and maintenance budget under section 515B.3-107(b). The initial maintenance plan prepared by the declarant must be based on the best available information listing all building elements to which the plan will apply and the generally accepted standards of maintenance on which the plan is based. The initial plan must be dated and signed by the declarant and be fully funded by the initial budget provided by the declarant;

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

(6) any expenses or services, not reflected in the budget, that the declarant pays or provides, which may become a common expense; the projected common expense attributable to each of those expenses or services; a description of any alternate common expense plan under section 515B.3-115(a)(2)(i); and, if the declaration

provides for an alternate common expense plan, either (i) a statement that the alternate common expense plan will have no effect on the level of services or amenities anticipated by the association's budget or disclosed in the disclosure statement, or (ii) a statement describing how the services or amenities may be affected;

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

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

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

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

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

(12) a statement that:

(i) within ten days after the receipt of a disclosure statement, a purchaser may cancel any contract for the purchase of a unit from a declarant; provided, that the right to cancel terminates upon the purchaser's voluntary acceptance of a conveyance of the unit from the declarant or by the purchaser agreeing to modify or waive the right to cancel in the manner provided by section 515B.4-106(a);

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

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

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

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

(15) a detailed description of the insurance coverage provided by the association for the benefit of unit owners, including but not limited to:

(i) a statement as to which, if any, of the items referred to in section 515B.3-113(b), are insured by the association;

(ii) the amount of the association's deductible; and

(iii) the following statement: "IF THE ASSOCIATION LEVIES A LOSS ASSESSMENT, THE UNIT OWNER IS PERSONALLY RESPONSIBLE FOR PAYING IT, EVEN IF THE UNIT OWNER DOES NOT HAVE SUFFICIENT INSURANCE COVERAGE. It is recommended that each unit owner personally purchase insurance coverage for loss assessments in an amount at least equal to the association's deductible, as well as insurance to cover the interior of the unit and personal property. A unit owner should conduct a regular review of their individual insurance policy and increase coverage as necessary to fully cover their portion of the association's deductible.";

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

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

(18) in a cooperative:

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

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

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

(19) a statement:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xiii) a description of any insurance coverage provided for the benefit of its members by the master association which must include the amount of the association's deductible. All descriptions of insurance must contain the following statement in a conspicuous manner: "IF THE ASSOCIATION LEVIES A LOSS ASSESSMENT, THE UNIT OWNER IS PERSONALLY RESPONSIBLE FOR PAYING IT, EVEN IF THE UNIT OWNER DOES NOT HAVE SUFFICIENT INSURANCE COVERAGE. It is recommended that each unit owner personally purchase insurance coverage for loss assessments in an amount at least equal to the association's deductible, as well as insurance to cover the interior of the unit and personal property. A unit owner should conduct a regular review of their individual insurance policy and increase coverage as necessary to fully cover their portion of the association's deductible."; and

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

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

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

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

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

(ii) a statement of any other reserves;

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

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

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

(vi) a copy of any reserve study, if any, or any other reports or estimates, if any, utilized by the declaration in providing the information required by section 515B.4-102(a)(23);

(24) the list of common fines and allowable remedies required under section 515B.3-102 and the collection policy adopted by the association under section 515B.3-115(k) or 515B.3-1151(k); and

(25) a statement providing the following information:

(i) purchasing a unit in the common interest community will impact property rights and may impose certain obligations on a unit owner;

(ii) governing documents for a common interest community dictate how decisions will be made related to the property, including financial decisions, maintenance decisions, and restrictions on the use of the property, which may include but not be limited to restrictions on parking, appearance, noise, smoking, pets, and rental of your unit;

(iii) governing documents may also be modified or changed at any time with the appropriate approval and any modifications or amendments will apply to existing unit owners; and

(iv) it is advisable to consult with an attorney before purchasing a unit.

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

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

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

EFFECTIVE DATE. This section is effective January 1, 2027.

Sec. 12. Minnesota Statutes 2024, section 515B.4-107, is amended to read:

515B.4-107 RESALE OF UNITS.

(a) In the event of a resale of a unit by a unit owner other than a declarant, unless exempt under section 515B.4-101(c), the unit owner shall furnish to a purchaser, before execution of any purchase agreement for a unit or otherwise before conveyance, the following documents relating to the association or to the master association, if applicable:

(1) copies of the declaration (other than any CIC plat), the articles of incorporation and bylaws, any rules and regulations, and any amendments or supplemental declarations, including the list of common fines and allowable remedies required under section 515B.3-102 and the collection policy adopted by the association under section 515B.3-115(k) or 515B.3-1151(k);

(2) copies of the master declaration, articles of incorporation, bylaws, and rules and regulations, if the common interest community is subject to a master declaration; ~~and~~

(3) a resale disclosure certificate from the association dated not more than 90 days prior to the date of the purchase agreement or the date of conveyance, whichever is earlier, containing the information set forth in subsection (b)-; and

(4) a copy of any reserve study, if any, obtained by the association within the past three years for the purposes of evaluating the adequacy of replacement reserve contributions and compliance with section 515B.3-1141.

(b) The resale disclosure certificate must be in substantially the following form:

COMMON INTEREST COMMUNITY

RESALE DISCLOSURE CERTIFICATE

Name of Common Interest Community:.....

Name of Association:.....

Address of Association:.....

Unit Number(s) (include principal unit and any garage, storage, or other auxiliary units):

Common elements licensed under Minnesota Statutes, section 515B.2-109(e):

.....

.....

The following information is furnished by the association named above according to Minnesota Statutes, section 515B.4-107.

1. There is no right of first refusal or other restraint on the free alienability of the above unit(s) contained in the declaration, bylaws, rules and regulations, or any amendment to them, except as follows:.....

.....

.....

2. The following periodic installments of common expense assessments and special assessments are payable with respect to the above unit(s):

a. Annual assessment installments: \$..... Due:.....

b. Special assessment installments: \$..... Due:.....

c. Unpaid assessments, fines, or other charges:

(1) Annual \$.....

(2) Special \$.....

(3) Fines \$.....

(4) Other Charges \$.....

d. The association has/has not (strike one) approved a plan for levying certain common expense assessments against fewer than all the units according to Minnesota Statutes, section 515B.3-115, subsection (e). If a plan is approved, a description of the plan is attached to this certificate.

3. In addition to the amounts due under paragraph 2, the following additional fees or charges other than assessments are payable by unit owners (include late payment charges, user fees, etc.):

.....

.....

.....

4. There are no extraordinary expenditures approved by the association, and not yet assessed, for the current and two succeeding fiscal years, except as follows:.....

.....

.....

5. The association is obligated to replace the following components of the common interest community:.

.....
.....
The association has the following amounts in its reserves for replacement of those components:
.....
.....

The replacement of the following components is funded by assessments levied only against the unit or units served by the component, pursuant to Minnesota Statutes, section 515B.3-115(e)(1) or (2).....
.....
.....

6. The following documents are furnished with this certificate according to statute:

- a. The most recent regularly prepared balance sheet and income and expense statement of the association.
- b. The current budget of the association.

7. There are no unsatisfied judgments against the association, except as follows (identify creditor and amount):.....
.....
.....

8. There are no pending lawsuits to which the association is a party, except as follows (identify and summarize status):.....
.....
.....

9. Description of insurance coverages:

a. The association provides the following insurance coverage for the benefit of unit owners: (Reference may be made to applicable sections of the declaration or bylaws; however, any additional coverages should be described in this space).....
.....
.....

b. The following described fixtures, decorating items, or construction items within the unit referred to in Minnesota Statutes, section 515B.3-113, subsection (b), are insured by the association (check as applicable):

..... Ceiling or wall finishing materials

..... Finished flooring

..... Cabinetry

..... Finished millwork

..... Electrical, heating, ventilating, and air conditioning equipment, or plumbing fixtures serving a single unit

..... Built-in appliances

..... Improvements and betterments as originally constructed

..... Additional improvements and betterments installed by unit owners

c. The association's master insurance has deductible amounts for property damage and wind or hail claims that may be assessed to a unit as a "loss assessment." The unit owner, at the time a loss assessment is due, is personally liable for payment of a loss assessment. The deductible and potential loss assessment amount is subject to change each year when the association purchases new insurance. It is recommended that you personally purchase insurance coverage for loss assessments in the amount at least equal to the association's deductible, which the unit owner should review and update if the deductible changes. IF THE ASSOCIATION LEVIES A LOSS ASSESSMENT, YOU ARE PERSONALLY RESPONSIBLE FOR PAYING IT, EVEN IF YOU DO NOT HAVE SUFFICIENT INSURANCE COVERAGE. It is recommended that each unit owner personally purchase insurance coverage for loss assessments in an amount at least equal to the association's deductible, as well as insurance to cover the interior of the unit and personal property. A unit owner should conduct a regular review of their individual insurance policy and increase coverage as necessary to fully cover their portion of the association's deductible.

10. The board of directors of the association has not notified the unit owner (i) that any alterations or improvements to the unit or to the limited common elements assigned to it violate any provision of the declaration; or (ii) that the unit is in violation of any governmental statute, ordinance, code, or regulation, except as follows:.....

11. The remaining term of any leasehold estate affecting the common interest community and the premises governing any extension or renewal of it are as follows:.....

12. This Resale Disclosure Certificate is given in connection with the resale of a unit by a unit owner who is not a declarant and who, therefore, is not liable for express warranties under Minnesota Statutes, section 515B.4-112, or implied warranties under Minnesota Statutes, section 515B.4-113. The conveyance of this unit may, however, result in a transfer of preexisting warranties made by a declarant under the referenced statutes, subject to the terms of Minnesota Statutes, sections 515B.4-114 and 515B.4-115.

13. In addition to the above, the following matters affecting the occupancy or use of the unit, or the unit owner's obligations with respect to the unit, are deemed material:.....

I hereby certify that the foregoing information and statements are true and correct as of.....

.....

(Date)

By:

Title:

(Association representative)

Address:

Phone Number:

RECEIPT

In addition to the foregoing information furnished by the association, the unit owner is obligated to furnish to the purchaser before execution of any purchase agreement for a unit or otherwise before conveyance, copies of the following documents relating to the association or to the master association (as applicable): the declaration (other than any common interest community plat), articles of incorporation, bylaws, rules and regulations (if any), and any amendments to these documents. Receipt of the foregoing documents, and the resale disclosure certificate, is acknowledged by the undersigned buyer(s).

Dated:

.....

(Buyer)

.....

(Buyer)

(c) If the common interest community is subject to a master declaration and governed by a master association to which has been delegated any of the association's powers under section 515B.3-102(a)(2), then the financial information required to be disclosed under subsection (b) may be disclosed on a consolidated basis.

(d) The association, within ten days after a request by a unit owner, or the unit owner's authorized representative, shall furnish the certificate required in subsection (a). The association may charge a reasonable fee for furnishing the certificate and any association documents related thereto. A unit owner providing a certificate pursuant to subsection (a) is not liable to the purchaser for any erroneous information provided by the association and included in the certificate. A unit owner who has acquired title to a unit pursuant to section 515B.3-104 including, but not limited to, a unit owner who has acquired title through foreclosure or a deed in lieu of foreclosure, must indicate to the association in connection with a request for a resale disclosure certificate whether the requesting unit owner is or is not a declarant. The unit owner, not the association, is liable for any damage, loss, or other consequence arising out of the incorrect representation of its declarant status.

(e) A purchaser is not liable for any unpaid common expense assessments, including special assessments, if any, not set forth in the certificate required in subsection (a). A purchaser is not liable for the amount by which the annual or special assessments exceed the amount of annual or special assessments stated in the certificate for assessments payable in the year in which the certificate was given, except to the extent of any increases subsequently approved in accordance with the declaration or bylaws. A unit owner is not liable to

a purchaser for the failure of the association to provide the certificate, or a delay by the association in providing the certificate in a timely manner.

(f) A purchaser should be aware of the following information:

(1) purchasing a unit in the common interest community will impact property rights and may impose certain obligations on a unit owner;

(2) governing documents for a common interest community dictate how decisions will be made related to the property, including financial decisions, maintenance decisions, and restrictions on the use of the property, which may include but not be limited to restrictions on parking, appearance, noise, smoking, pets, and rental of your unit;

(3) governing documents may also be modified or changed at any time with the appropriate approval and any modifications or amendments will apply to existing unit owners; and

(4) it is advisable to consult with an attorney before purchasing a unit.

EFFECTIVE DATE. This section is effective January 1, 2027.

Sec. 13. Minnesota Statutes 2024, section 515B.4-116, is amended to read:

515B.4-116 RIGHTS OF ACTION; RETALIATION PROHIBITED; ATTORNEY'S FEES.

(a) In addition to any other rights to recover damages, attorney's fees, costs or expenses, whether authorized by this chapter or otherwise, if a declarant, an association, or any other person violates any provision of this chapter, or any provision of the declaration, bylaws, or rules and regulations any person or class of persons adversely affected by the failure to comply has a claim for appropriate relief. Subject to the requirements of section 515B.3-102, the association shall have standing to pursue claims on behalf of the unit owners of two or more units.

(b) The court may award reasonable attorney's fees and costs of litigation to the prevailing party. Punitive damages may be awarded for a willful failure to comply.

(c) As a condition precedent to any construction defect claim, the parties to the claim must submit the matter to mediation before a mutually agreeable neutral third party. For the purposes of this section, mediation has the meaning given under the General Rules of Practice, rule 114.02 (7). If the parties are not able to agree on a neutral third-party mediator from the roster maintained by the Minnesota Supreme Court, the parties may petition the district court in the jurisdiction in which the common interest community is located to appoint a mediator. The applicable statute of limitations and statute of repose for an action based on breach of a warranty imposed by this section, or any other action in contract, tort, or other law for any injury to real or personal property or bodily injury or wrongful death arising out of the alleged construction defect, is tolled from the date that any party makes a written demand for mediation under this section until the latest of the following:

(1) five business days after mediation is completed; or

(2) 180 days.

Notwithstanding the foregoing, mediation shall not be required prior to commencement of a construction defect claim if the parties have completed home warranty dispute resolution under section 327A.051.

(d) The remedies provided for under this chapter are not exclusive and do not abrogate any remedies under other statutes or the common law, notwithstanding whether those remedies are referred to in this chapter.

(e) An association may not retaliate against a unit owner for asserting any right the unit owner has under this chapter or other law. For the purposes of this section, "retaliation" means to restrict any right or privilege a unit owner has, or impose any fine, penalty, or other charge on a unit owner, not authorized under the declaration, bylaws, or rules or regulations. Retaliation does not include commencing a foreclosure action for a fine that remains unpaid after the time allowed for payment, after the board has adopted a resolution upholding a fine under section 515B.3-102(a)(11).

(f) A disclosure by the association of data in violation of the Safe at Home program under section 5B.05, paragraph (d), is a violation of this chapter.

EFFECTIVE DATE. This section is effective January 1, 2027.

Sec. 14. **[515B.5-101] LOCAL GOVERNMENT REGULATIONS.**

Subdivision 1. **Definition.** For purposes of this section, "local government" means a county; a town; a municipality as defined in section 462.352, subdivision 2; a joint planning board; or a public corporation, including the Metropolitan Council.

Subd. 2. **Prohibited regulations.** Except as required by state or federal law or rule, a local government must not condition approval of a residential building permit or conditional use permit, residential subdivision development or residential planned unit development, or any other permit related to residential development on the:

(1) creation of a homeowners association;

(2) inclusion of any service, feature, or common property necessitating a homeowners association, unless requested by the developer;

(3) inclusion of any terms in a homeowners association declaration, bylaws, articles of incorporation, or any other governing document; or

(4) adoption or revocation of, or amendment to, a rule or regulation governing the homeowners association or its members.

Subd. 3. **Exemptions.** Nothing in this section prohibits:

(1) a local government from requiring the maintenance or insurance of common elements; or

(2) a project applicant from providing an easement to access public infrastructure.

EFFECTIVE DATE. This section is effective January 1, 2027, for all common interest communities created on or after that date.

Sec. 15. **APPLICATION.**

Sections 1 to 13 are effective on the dates provided and apply to common interest communities created before, on, or after the date of enactment.

Presented to the governor May 11, 2026

Signed by the governor May 12, 2026, 12:39 p.m.