

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. Notwithstanding the provisions of section 317A.203, if an association is formed under chapter 317A and consists of fewer than three units, the number of directors may be equal to or greater than the number of units.

(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. 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

History: 1993 c 222 art 3 s 3; 1999 c 11 art 2 s 17; 2005 c 121 s 23; 2010 c 267 art 3 s 3; 2024 c 96 art 2 s 12; 2025 c 32 art 4 s 13; 2026 c 61 s 18, 41; 2026 c 82 s 4

NOTE: The amendment to this section by Laws 2024, chapter 96, article 2, section 12, is effective August 1, 2027. Laws 2024, chapter 96, article 2, section 13, as amended by Laws 2025, chapter 32, article 4, section 13, and Laws 2026, chapter 61, section 41.