

SF 1750 Creates Major Problems For CIC Homeowners

Increased Homeowner Costs:

- Expanded procedural requirements will necessitate additional legal review, document revisions, and professional service fees both short-term and long-term for administration.
- Additional notice, voting, and approval thresholds will necessitate greater administrative coordination and involvement of outside counsel. Language incentives disputes and adversarial conduct between community members.
- New compliance obligations require updates to governing documents, resulting in substantial legal and recording costs.
- Broader litigation triggers and dispute procedures are likely to raise insurance premiums, including for directors and officers (D&O) coverage.
- New termination and restructuring provisions mandate independent appraisals and extra professional services.

One Size Fits All Approach:

- The draft does not adequately account for the diversity of Minnesota's common-interest communities.
- Provisions aimed at isolated concerns are applied broadly to all associations, regardless of size or structure.
- Existing safeguards under corporate and common interest community law already address many of the issues cited.
- Erosion of the ability of communities to self-govern and language added to encourage "disputes" impacts homeowner property right in existing communities and will pose challenges for volunteers and non-adversarial community members.

Operational and Governance Disruption:

- The draft supersedes long-established and disclosed property rights and governance structures established by homeowners to best serve their community.
- Higher approval thresholds and procedural requirements can postpone essential actions on repairs, contracts, and financial decisions.
- Extra restrictions on contracting authorities hinder associations' ability to operate effectively in competitive markets and infringe on the entity's rights.
- Expanded notice-and-comment requirements may delay urgent operational decisions.
- Complex voting and approval systems generate ambiguity that might deter volunteers from participating.
- Well established administrative procedures to address compliance are eroded and communities may suffer from intentional, malicious and repetitive conduct from noncompliant homeowners.

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