



## **S.F. No. 1750 – Common interest communities (2<sup>nd</sup> Engrossment)**

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### **Overview**

**S.F. 1750** amends chapter 515B, the Minnesota Common Interest Ownership Act, which governs common interest communities, including homeowners’ associations and condominiums. Among other things, this bill modifies the requirements to terminate a common interest community (CIC); removes an association’s ability to charge interest; imposes caps on late fees and fines; imposes greater notice requirements on associations for meetings and rules; addresses conflicts of interests for CIC board members, their family members, and management companies; requires the association to meet and confer with the unit owner before proceeding with a collection action; removes the ability of an association to enforce a lien against the unit owner for unpaid fines; requires unit owner input at meetings; and prohibits retaliation. This bill also extends the effective date of a new 2024 law governing housing cooperatives. Most sections in this bill are effective January 1, 2026.

### **Summary**

**Section 1. [515B.1-102; Applicability]** Provides that certain sections being amended or created in this bill apply to all planned communities and townhome associations, regardless of the date they were created, unless a current law exemption applies.

**Section 2. [515B.1-103; Definitions]** Defines “first mortgage” and “first mortgagee” for purposes of chapter 515B.

**Section 3. [515B.2-103; Construction and validity of declaration and bylaws]** Provides that chapter 515B prevails if there is a conflict between the declaration or the bylaws and chapter 515B.

**Section 4. [515B.2-119; Termination of common interest community]** Permits termination of a common interest community with no common elements with 60% of the votes of unit owners. Permits CICs where all the units are detached single-family dwellings to specify a smaller percentage for termination in their declaration. Current law requires 80% of the votes of unit owners and 80% of the votes of first mortgagees to approve termination of the CIC.

**Section 5. [515B.3-102; Powers and duties of unit owners’ association]** Modifies the association’s power and duties as follows:

- Requires the association to provide a schedule of fees and charges that may be imposed on the unit owner;
- Removes authority to impose interest on late payment of assessments;
- Prohibits an association from imposing a late fee greater than \$15 for late payment of assessments or a late fee for special assessments greater than 5% of the amount owed or \$100, whichever is lower
- Requires the association to provide each unit owner with a policy regarding fines and when they may be imposed;
- If a violation may be cured without causing damage to property or another, the association must provide the unit owner with a reasonable time to correct the violation before imposing a fine;
- A fine must be commensurate with the violation and must not exceed \$100 per violation;
- Provides a cap of \$2,500 for a fine when it is combined with other fines for an ongoing violation, related late fees, and other allowable charges;
- If the violation is repeated and the unit owner has been given notice, the unit owner may be fined at greater amounts for certain serious violations;
- Removes ability to impose a lien for unpaid fines;
- Removes an association's authority to impose reasonable charges for the review and preparation of statements of unpaid assessments or furnishing copies of association records;
- Prohibits associations from imposing charges, including attorney fees, for responding to a question about a governing document or any aspect of the operations or management of the common interest community;
- Requires associations to provide written notice to the unit owner of the procedures for disputing a fine;
- Prohibits CICs from adopting arbitrary, capricious, or unreasonable rules and regulations. Requires associations to provide 60 days' advance notice of a board's intention to adopt a new rule or modify or revoke a current rule. Rule changes must be approved at board meetings and unit owners must have an opportunity to comment. Permits a majority of unit owners to revoke a rule at a board meeting;
- Requires associations to adopt procedures for a meet and confer process; and
- Prohibits associations from assigning or selling a unit owner's debt.

**Section 6. [515B.3-103; Board of directors, officers and declarant control]** Requires all board directors to be unit owners who reside in their unit at least 165 days of the year and requires that elections for board directors take place at least every three years. Clarifies that all meetings of the board must be open to unit owners. Requires reasonable notice to unit owners of the board meeting's agenda. Requires the board to permit a unit owner or a member's designee to speak during the meeting regarding any subject that is on the meeting agenda and designate time at each meeting to permit a unit owner to speak on any CIC-related matter not on the agenda. Provides an exemption from the meetings and notice requirements for associations with fewer than 25 units that do not contract with a property management company for board meetings where the sole subject is related to property management issues.

Addresses conflicts of interest for board members and management companies as follows:

- Prohibits board members, their spouses, siblings, children, or parents from having a financial interest in a business hired for goods or services over \$20,000 in a calendar year;

- Prohibits board members, their spouses, siblings, children, or parents from soliciting or accepting compensation, gifts, or anything of value from a person performing services for the association or with whom the association has a contract or other business relationship;
- Prohibits board members from soliciting or accepting compensation, gifts, or anything of value that would improperly influence or appear to improperly influence the association's decisions;
- Prohibits management companies from having a financial interest in a business the association or management company has hired for goods or services over \$20,000 in a calendar year or from soliciting or accepting compensation or gifts from any person performing services for the association; or
- Prohibits the association or board member from entering into a contract or other business relationship from which the management company or its owners or employees, or their spouses or other relatives has received or could receive a direct or indirect financial benefit over \$20,000 per calendar year.

Requires board members to prepare an annual report listing all contracts for the previous budget year and provide it to each unit owner annually. Prohibits automatic renewal of contracts with property management companies unless the contract also permits termination with no more than 60 days' notice.

**Section 7. [515B.3-106; Bylaws; annual report]** Requires changes to the bylaws to be approved at an annual or special meeting where the association provides unit owners with adequate notice and an opportunity to comment on the proposed change. Permits a majority of unit owners at the annual or special meeting to revoke a bylaw.

**Section 8. [515B.3-107; Upkeep of common interest community]** Prohibits property management companies from requiring associations to work with a particular vendor.

Requires the association to provide a fair, reasonable, and expeditious procedure for making decisions to approve or disapprove proposed changes to a unit or limited common elements and provide that procedure in the association's governing documents. The board must issue a written decision within 90 days after the initial submission of the proposal or submission of additional documents requested by the board.

Prohibits the association from enforcing parking restrictions on a personal vehicle on a public street for which the state or local government is responsible for maintenance and repairs, unless the state or local government has delegated the authority to regulate parking to the association. Prohibits restrictions on parking for a work vehicle.

**Section 9. [515B.3-108; Meetings]** Requires a meeting notice to include copies of any documents that are subject to discussion or approval at the meeting, including the budget.

**Section 10. [515B.3-115; Assessments for common expenses; CIC created before August 1, 2010]** Requires the association to provide each unit owner with a copy of the proposed budget prior to the annual meeting and allow input on the budget prior to or during the meeting. Limits the amount of attorney fees and costs that may be assessed against the unit owner for enforcement and collection to \$1,500. Prohibits assessment of attorney fees and costs if the association uses a collection agency with a contingency fee arrangement. Permits associations to offer reasonable payment agreements to unit owners.

**Section 11. [515B.3-1151; Assessments for common expenses; CIC created on or after August 1, 2010]** Requires the association to provide each unit owner with a copy of the proposed budget prior to the annual meeting and allow input on the budget prior to or during the meeting. Limits the amount of attorney fees and costs that may be assessed against the unit owner for enforcement and collection to \$1,500. Prohibits assessment of attorney fees and costs if the association uses a collection agency with a contingency fee arrangement. Permits associations to offer reasonable payment agreements to unit owners.

**Section 12. [515B.3-116; Lien for assessments]** Provides that fines are not enforceable as a lien on a unit. Provides that an association may begin foreclosure proceedings when the total amount owed is at least \$5,000, not including attorney fees, and has been outstanding for at least 120 days. Limits attorney fees for foreclosure by advertisement to \$3,500, subject to section 582.01, subdivision 1.

**Section 13. [515B.3-122; Requirement to meet and confer]** Requires the association and the unit owner to engage in a meet and confer process before the association takes any collection action against the unit owner. If the unit owner fails to engage in the meet and confer process, the association may proceed with the collection action.

**Section 14. [515B.3-125; Legal fees; notice required]** Requires the board to provide a notice of potential legal fees to the unit owner before referring the unit owner's inquiry to an attorney. Requires the board to provide an itemized invoice for any legal fees that are charged to a unit owner.

**Section 15. [515B.4-102; Disclosure statement; general provisions; CIC created before August 1, 2010]** Requires a disclosure statement to include: (1) a fact sheet or other publication by the Attorney General that describes the rights and responsibilities of unit owners and associations in plain language; and (2) a schedule of fines.

**Section 16. [515B.4-1021; Disclosure statement; general provisions; CIC created on or after August 1, 2010]** Requires a disclosure statement to include: (1) a fact sheet or other publication by the Attorney General that describes the rights and responsibilities of unit owners and associations in plain language; and (2) a schedule of fines.

**Section 17. [515B.4-116; Rights of action; retaliation prohibited; attorney's fees]** Provides that an association is liable to a unit owner for actual damages and must pay a unit owner a civil penalty in an amount up to \$1,000. Prohibits an association from retaliating against a unit owner for asserting their rights under this chapter or other law.

**Section 18. [Effective date]** Extends the effective date of chapter 308C by an additional year. Chapter 308C was a new law governing cooperatives enacted in 2024 with a delayed effective date.



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