




HOUSING & TRANSPORTATION

HOA files: Otsego community hit with breathtaking roof repair bills

Homeowners, suspecting self-dealing, want Legislature to require more transparency

BY: **MADISON MCVAN** - OCTOBER 22, 2024 8:00 AM



 Roxanne Williams, a resident of Villas at Pheasant Ridge, has spoken out against a roof replacement project at her community that cost homeowners more than \$18,600 each – resulting in at least one foreclosure. Photo by Madison McVan/Minnesota Reformer.

An Otsego homeowners association charged residents more than \$18,000 each to replace their roofs, resulting in at least one foreclosure and leading residents to question whether the decision was made in the best interest of the community.

They're especially alarmed that the HOA board steered the roofing work to a contractor that's a subsidiary of their property manager.

Tony Tran bought his home in Villas at Pheasant Ridge, an Otsego neighborhood with a mix of townhomes and single-family homes, in 2019. When he received the approximately \$18,600 assessment for the roof replacement, he called his insurance company – but his policy only covered \$10,000. He hasn't been able to pay the remaining balance.

His questions to the property manager and HOA board members were eventually directed to lawyers, and the charges piled up: Tran's September HOA bill included more than \$2,000 in legal fees for lawyers' responses to Tran's questions.

"We get charged for asking questions," Tran said.

The HOA's lawyers filed a lien against Tran's home and initiated foreclosure proceedings. Tran and at least two other residents don't remember any hail falling on July 13, 2023, the day the roofs were allegedly damaged.

In Minnesota, HOAs can issue liens against residents' homes for failure to pay dues or special assessments. Associations can also charge residents legal fees for disputing charges or even just making inquiries.

The HOA board and property management company, Gassen, issued a lien in excess of \$20,000 against at least one other property in the community since July 2023, according to the county recorder's office.

The roof replacement saga at Villas at Pheasant Ridge illustrates gaps in the state's oversight of homeowners associations and property management companies, and the financial pressure HOAs can put on homeowners. Affected residents say they have little recourse when they believe their HOA or property manager are making poor decisions; or, suspect the property manager is steering expensive work to its own subsidiary on the residents' dime.

More than 1.5 million Minnesotans live in communities with a homeowners' association, according to [data](#) from the Community Associations Institute, an industry group.

Homeowners associations enter into contracts with property management companies to run the community's day-to-day operations, like snow removal and maintenance. While the HOA board has the ultimate say in decisions related to the community, critics say HOA boards – filled with volunteers unschooled in HOA

law – often take their direction from the property management company.

Property management company directed work to its own subsidiary

Gassen, which manages more than 18,000 homes in Minnesota, put forward its own construction company to complete the roof replacement job, leading residents to question whether the company was enriching itself by using its own subsidiary to do the repairs at Villas at Pheasant Ridge.

Gassen declined an interview for this story.

Gassen lists Gassen Construction & Maintenance as one of its divisions on its company website. Kirk Gassen, the owner of Gassen, is listed as the manager of Gassen Construction & Maintenance in filings with the Office of the Secretary of State. The companies share a phone number.

“Our HOA services are designed to help property owners maintain their properties, keep their communities clean and safe and improve the value of their investments,” the Gassen Construction & Maintenance website reads.

When Villas at Pheasant Ridge homeowner Roxanne Williams learned that Gassen Construction & Maintenance would be replacing the roofs, she wanted to know if the HOA board or property management company had sought multiple bids for the work.

She says a Gassen representative told her the company had obtained two other quotes in 2022 for roof replacements – the year before the storm. When Williams followed up with the two companies, she says one told her there was no damage to the roofs, and therefore nothing to provide a quote for. The other told her they mainly did work on porches and decks, and had provided a quote to replace one roof in the spring of 2022, according to Williams.

“It just didn’t feel right to me,” Williams said.

When she directed those questions to Gassen, her inquiries were eventually passed on to the company’s lawyers. Gassen then billed Williams around \$900 for “legal consulting.”



📷 A townhome at Villas at Pheasant Ridge in Otsego. Photo by Madison McVan/Minnesota Reformer.

Gassen's contract with the HOA board states that Gassen is not required to solicit competitive bids for repairs, as long as the loss is covered by insurance – unless the board specifically requests a bid process.

The Villas at Pheasant Ridge HOA board consists of homeowners elected by the community. Williams was elected in August. Other board members declined or did not return requests for comment.

Becky Cole, an organizer advocating for more transparency and accountability for HOAs and property managers, said HOA board members often lack expertise in how to run a community and therefore default to property managements' recommendations: "It's easier that way," Cole said.

Cole is a member of a work group convened by the state Legislature this year to evaluate how HOAs impact housing affordability and access, signaling that change could come during upcoming legislative sessions.

Residents question necessity of roof replacement

Like Tran, Williams doesn't remember hail falling on her townhome on a stormy day in July 2023.

She only learned of the apparent hailstorm when she received a notice in the mail from Gassen on Nov. 1.

“The July 13, 2023, wind/hailstorm damaged all buildings,” the letter read. Every roof in the community needed to be replaced at a cost of \$18,657.94 per resident, due two months from the day the letter was issued.

Gassen took over management of Villas at Pheasant Ridge in April 2022, Williams said, and later that year suggested the HOA board approve a new insurance policy.

The charge, the letter explained, represented the cost of the association’s \$1,791,162.26 insurance deductible, divided evenly among residents.

From Williams’ second-floor deck, she can see some of the roof that extends over the first floor of her townhome. The 12-year-old shingles looked perfectly fine to her after the storms on July 13, Williams said.

Williams’ home insurance contained “loss assessment coverage,” so her insurance company covered the cost of the HOA assessment.

One resident, who has more than 20 years of experience running a roofing company, checked on the status of his roof a few months before the storm and saw no issues. When he learned about the more than \$18,000 assessment approved by the HOA board to cover the roof replacement, he went up on the roof again.

“I was up there, I didn’t see any damage, and I was just beside myself that they were filing this insurance claim,” said the resident, who requested anonymity for fear of retaliation against himself and his company.

The vinyl siding showed no signs of hail damage either, he added.

And he didn’t hear about any hail in the immediate area from his colleagues in the roofing industry. Hail did fall in some areas of central Minnesota that day, according to [weather reports](#), but Williams and other residents say their neighborhood wasn’t hit.

Meeting minutes from an HOA board meeting on June 29, 2023 – weeks before the storm – states “Roofs were discussed at length in terms of filing a claim and current status of our roofs.”

Adding to the confusion is a contract signed by Gassen Construction & Maintenance and the then-board president of the HOA in July 2023, authorizing the contractor to receive the

proceeds from the insurance payout for a loss dated July 13, 2023 – the day of the storm.

But the former HOA board president signed the form on July 6, seven days *before* the incident, according to a copy of the contract obtained by the *Reformer*. The representative of Gassen Construction & Maintenance, signed the form on July 24, after the storm.

The former HOA board president who signed the contract declined to comment.



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