



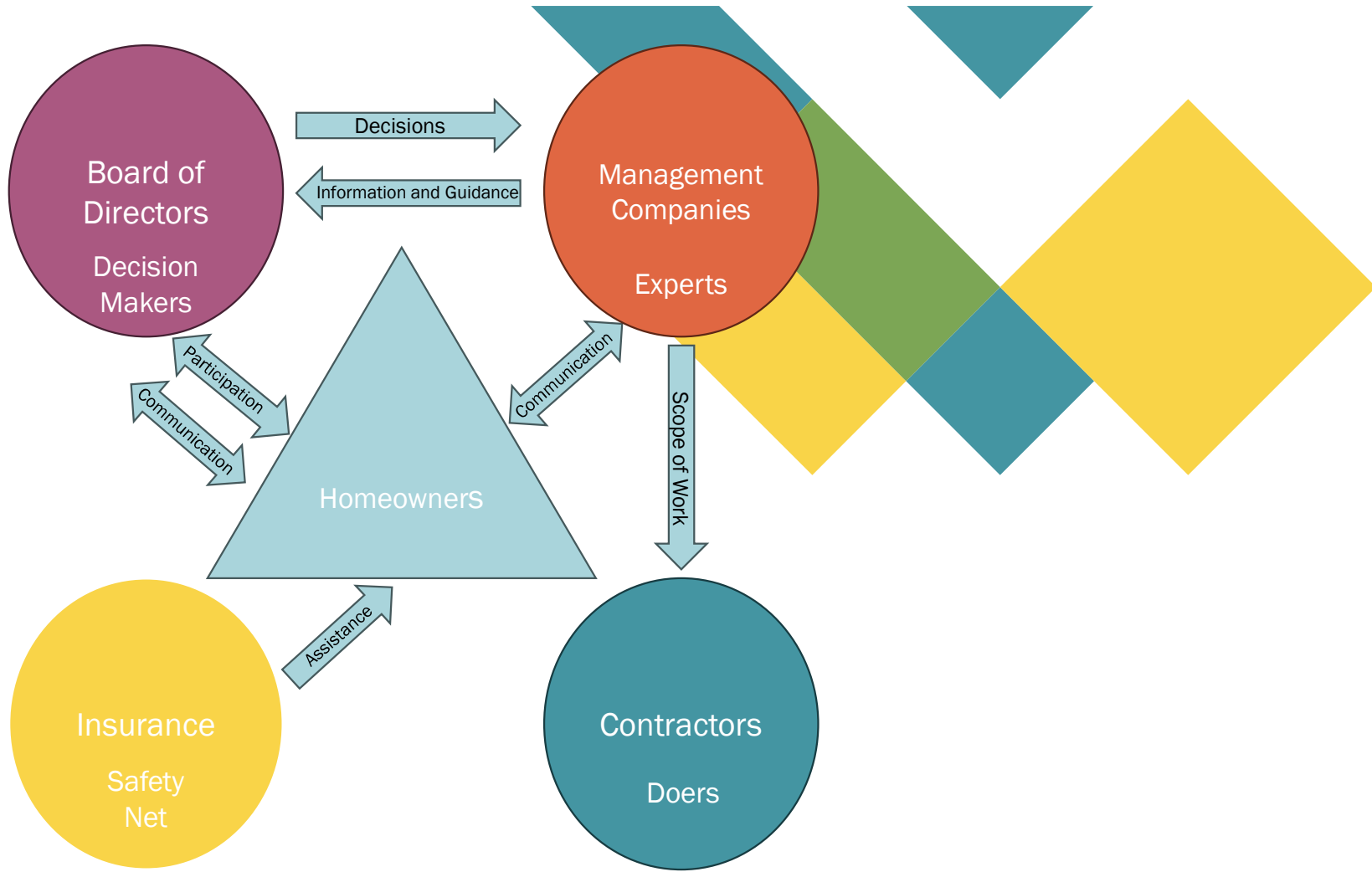
Minnesota Legislative Working Group on Common Interest Communities and Homeowner Associations

11/26/2024

Capital Building Room 120

Robert Ness Jr

- Mr. Robert Ness Jr (Bob)
- 651-900-4431
- Bobness7759@gmail.com
- Treasurer for Gatsby Homeowner's Association, Woodbury (Past President)
 - Oldest HOA association in Woodbury, established 1973
 - 57 Units
 - Sundown Master Association with 5 members
 - Operating Budget of \$217,000/yr
- Planning Committee Member of the WATHA (Woodbury Area Townhome Association)
 - 36 Members, 2345 Units
 - Informal organization working together to share experiences, information, and best practices
 - [WATHA](http://www.watha.net) www.watha.net



HOA Affordability

- Many of Gatsby's Homeowners are retired and on fixed Income
- Buyers are looking for:
 - lower down payments that are associated with townhomes
 - Affordable home for first time home buyers
 - Amenities that do not include outside maintenance
- One of the largest expense for HOA is insurance

Gatsby HOA Annual Insurance Costs

- '22 Insurance Carrier non-renewed after insurance claim
- Insurance Carrier cancelled Policy after 90 days on Dec 31, 2023 due to age of Buildings
- Secondary High Risk Insurance Market
 - ✓ Storm Damage Insurance Claim
 - ✓ Age of Building
 - ✓ Zinsco Electrical Panels are a Fire Hazard
- ✓ 10% Deductible Wind/Hail
 - ✓ \$1.2 million (Roof Replacement - \$380,000)
 - ✓ Not FHA loan eligible because of High Deductible
 - ✓ Many Banks will not finance with 10% Deductible
 - ✓ Lowering Deductible to 5% would cost \$30,000+

	Annual Insurance	Ins. Monthly Fees	Total Gatsby Fees	Percent to Insurance
'20-21	\$28,425.00	\$41.56	\$174.88	24%
'21-22	\$36,278.00	\$53.04	\$182.98	29%
'22-23	\$124,639.00	\$182.22	\$287.82	63%
Aug-Dec '23	\$61,379.00	\$89.74	\$257.13	35%
Jan '24-	\$132,875.50	\$194.26	\$317.12	61%
'24-25	\$87,360.00	\$127.72	\$317.12	40%

Insurance Claim

Agency 1

2021 - \$28,425
 2022 - \$36,278
 May '22 Filed Storm Claim

- No previous Claim

 Aug '22 Non-renewal
 Aug '22 Hired Appraisal Company
 Aug-Sept '22 Inspections & Analysis

Dec-Feb '23
 Appraisal Board can not inspect roofs for safety

Spring '23 Appraisal Board Cancelled

Nov '23 Appraisal Board Cancelled

- Potential for frost (40F by 10:00 am)

Dec-Feb '24
 Appraisal Board can not inspect roofs for safety

Feb '24 Settlement Offer - \$269,500
 Spring '24 Can not schedule Appraisal

- Insurance appraiser out for medical

 Apr '24 Tolling Request for 90 days

- Request by Gatsby because of 2 yr deadline of May 19th

 May 16th '24 Appraisal Meeting
 July '24 - Settlement

- \$526,000
- Cosmetic Metal Facia, vents, etc.
- No Roof

 See Slides 7-8 for Details of Next Steps

Insurance Coverage Due to Claim

Agency 2

Sept '22 - \$124,639

- Secondary Insurance - Full payment up front

Agency 3

Aug '23 - \$61,379
 Oct '23 - Cancellation Notice

- 60 Days

 Nov 1st week - New Insurance Search
 Dec 2nd week - Received 2 Bids (11 declined)

Jan '24 Homeowner Info. Meeting

- Rate Increase
- 5/57 Attendees

 Mar '24 Dues Increase

Agency 4

Dec 2nd Week - \$132,875

- Secondary Insurance - Full payment up front

 Dec 3rd Week - Loan Search

- 2 Companies
- Initial offer Interest 17%
- Final 7.7% No fees
- 30% repayment up front
- 9 month loan

 Dec 4th Week - Completed Paperwork
 Jan 3rd '24 - Payments made

Agency 5

Nov '24 - \$87,360

New Insurance Policy

- **Criteria for Lowest Possible Primary Insurance Rate**
 - ✓ Storm Claim must be closed (Settled)
 - ✓ Zinsco Panels must be fully replaced (Completed July, '24) (\$24,000 - Gatsby, \$82,700+ - Homeowners)
 - Roof need to be replaced because it is 15 yrs old.
- **Issue – Insurance Settlement Scope was to replace cosmetically damaged metal facia, vents, gutters, etc. No roof damage**
 - **515B.3-113(h) Insurance**
 - States the insurance money first needs to be used to repair the damage, then the remaining funds can be retained by the association or returned to the owners at the board's discretion.
 - **515A.3-112(g) Insurance**
 - States the insurance money first needs to be used to repair the damage, then the remaining funds can be returned to the owners. No mention of the board being able to retain funds
 - Both statutes indicate the insurance funds can be used for other purposes if 80% of the homeowner's vote to not repair.

Homeowner Vote - Communications

- Board Voted to Replace the Roof regardless of the Homeowner Vote to reduce Insurance Costs at a Cost of \$380,000
- Question for Homeowner Vote-
 - Should the Insurance Claim be used for Replacing the Roof Shingles and Roof Vents or
 - Should the Insurance Claim be used to replace cosmetically damaged metal facia, gutters, etc. and the roof be replaced with a special assessment of \$8,000.
- Vote was mailed, emailed, and posted near mailboxes to all Homeowners.
 - There was not one vote received back
 - The Board door knocked on homes and read each homeowner the notice. 80% of the vote was received and not one no vote.

Suggested Insurance Items for Review

- Determine if the 2 year claim period can be reduced in instances when both parties have agreed to an appraisal board.
 - If shortened, can be extended by using existing Tolling Agreement Process when both parties agree.
- Provide incentives to settle earlier (charge interest on amount of settlement after claim has been denied and an appraisal board is required to settle dispute)
- Do not allow insurance companies to drop a new policy holder in 1st 90 days without reason except in cases where critical policy information was withheld from insurer.
- Apply the same regulations on insurance for single family dwellings to HOA/Condos.
- Apply same homeowner voting standard to insurance issues (515A.3-112(g) & 515B.3-113(h)) as to bylaws (A non-returned vote means yes vote)



Thank You

Robert Ness
Treasurer Gatsby Homeowners Association
Planning Member Woodbury Area Townhome Association

HOA Boards

- Average Board has 5 Directors
- Board Members are volunteers and receive no compensation
- Most associations are non-profit
- A high percentage of board members are retired
- Most boards have difficulty maintaining members
- Skill sets for board members are difficult to find: legal, accounting, business, contracts, computer
- Most boards rely on management companies to fulfil these skills

Gatsby HOA Board Communications

- Email – 50%+
- Mail to all homeowners
- Certified Mail
- Club House Bulletin Board Postings
- Postings by Mail Boxes
- Door Knocking with hand outs
- Weekly Meetings (Home Owners can attend, 1 monthly business, 3 workshop type)
- Publish Agendas, Minutes from all meetings (website)
- Additional Special Topic Meetings
- Board Meetings often have not homeowner attendance
- Annual Meetings are often held multiple times because a Homeowner Quorum can not be achieved
 - Quorum is finally achieved by proxy vote.
 - Board Members are often elected by only votes by existing board members