

Summary of Testimony for MN House Working Group for CIC/ HOA December 6, 2024

Kathleen W Phillips

Winterwood Garden Homes – 60 single level unit garden home community, handicapped
accessible

Burnsville, MN

MN Board member 12 years, last 5 years as board president

Texas HOA board member 6 years

HOA homeowner – 19 years

Member Homeowner Leadership Network

Homeowner/board of director's viewpoint

- Frustration with lack of responsiveness from property management to routine inquiries, no enforcement of rules and regulations, and discrimination against small business vendors. This drives up homeowners' costs when they have to take on additional financial burden of higher costs of using management company's favorite vendor.
- Decrease in affordability of maintaining homeownership due to some community members not following requirements of governing documents, rules and regulations, and filing insurance claims for their poor decisions.
- Insurance spiraling costs, insurance bids not being available until the day before current policy expires. Deductibles so high that essentially homeowners have no wind /hail coverage.
- Local government charging HOA for fees that are not equal to private single family homes, but we pay the same tax and utility rates. Refusing services to HOA homeowners that are provided to single family homeowners.

Management Companies

- Provide no oversight over board practices-allowing individual board member to sign a contract for interior improvements outside original build and not have a detailed bid with pricing. The board member turned around and had contractor replace all windows and doors in his unit and a good friend's unit (possibly at a very reduced price). The vendor then came to me when I was voted in as president and offered me the same very "good deal", as long as I did not share that information with other board members. Cost \$110,000 of WWGH's reserve fund to add insulation into a 4 foot by 7 foot space.
- Mismanagement of association funds –Management company paid for another association's electric bill for almost three years and reimbursed billing errors with our association funds to two other associations.
- Paying vendors without board authorization
- Failure to write RFP (request for proposal) that is timely, detailed and protects the best interest of homeowners.
- Slow to pay non preferred/mom and pop vendors
- Property manager's lack of training and understanding the governing documents of the association resulting in incorrect advice provided to board, constant deferring of questions to legal driving up homeowner expenses unnecessarily.
- Budgeting errors and claims that reserve is adequately funded, when in 2035 their own company's reserve analysis shows the association will be unable to pay for projected roof and siding and fascia replacement.

Internal conflict within association and board

- Board members who do not reside on the property more than six months of the year. Creates a burden on board members who are on the property year-round. Very few homeowners are interested in serving on the board.
- Poor understanding of governing documents. No effort to attend free training.
- Board members with a personal agenda, instead of community best interest.
- Efforts to inform community met with indifference.
- Homeowner who did not live in unit for 13 years – forcing unit into foreclosure.

Recommendations

- Create an ombudsman board who can record issues and matters of concerns from HOA/CIC homeowners and boards, management companies etc. who can record concerns in a public statistical and searchable database and report back to the legislature what the issues are and provide more data to a working group than anecdotal evidence.
- Give this board investigative and enforcement capabilities to oversee compliance with existing laws before making sweeping changes to statutes already in place.
- Require board members, real estate professionals and property managers to obtain standardized training such as offered by CAI, HOALN and others.
- Give the Department of Commerce oversight of commercial master insurance policies similar to their authority in regulating insurance in single family home market.
- Oversight/ standardization of reserve studies/companies. Enforcement of adequate budgeting to properly fund reserve funds.

Recommendations (continued)

- HOA/CIC are communities and the rights of homeowners to make decisions and rules and regulations how they would like to live in their community should not be dictated by government. Homeowners make a choice when they review governing documents and rules and regulations prior to purchase. If community is too restrictive, homeowners should find a more suitable fit for their needs.

Examples:

Do not require all associations to allow solar on shared roofs – who insures, who is responsible for removal, storage and reinstallation during roof repairs and replacements. Who is liable for damage when vendors clean air ducts, chimneys that can only be reached by roof access, increased cost of roof inspections, cannot be observed by drone inspection

Do not require all associations to allow work vehicles – wear and tear on private roads and driveways.

Do not force all associations to allow home businesses

Why: Increased insurance risks due to slip and fall, not all properties are safe for children – no sidewalks.

Some insurance carriers on the secondary market will not insure the association if there are businesses run in the property.

Some units have inadequate square footage.