

# New Construction HOAs: *HOA Formation, Affordability & Common Property*

Minnesota Legislative Commission on HOAs

January 10, 2025



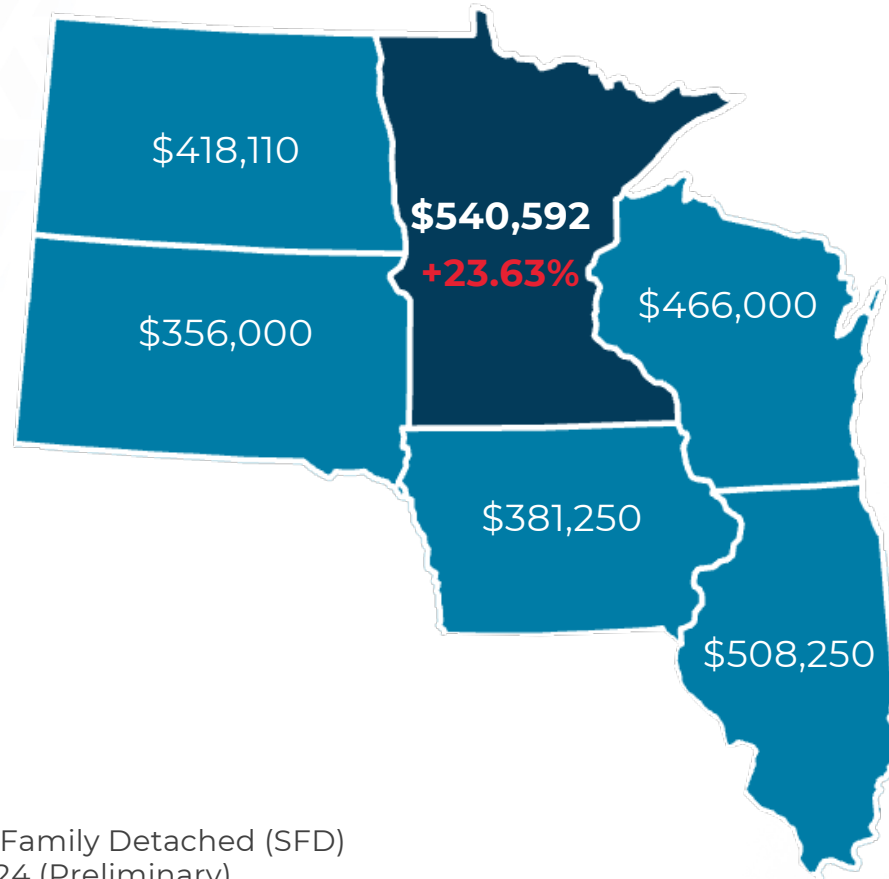


## Nick Erickson

*Sr. Director of Housing Policy  
Housing First Minnesota*

**HOUSING FIRST**  
MINNESOTA<sup>SM</sup>

# Midwest New Single-Family Detached Closing Price



## Median New

<b>U.S. National:</b>	\$437,300
<b>MSP:</b>	\$548,060
	<b>+25.32%</b>

Source: Zonda – New Single Family Detached (SFD)  
Median Closing Price: Q3 2024 (Preliminary)

# Common Property Examples



# Why HOAs Are Created

1. Required Via Structure Design
2. Target Market (Builder's Choice)
3. **Mandated** Via Local Government Policies

# Zoning Requirements & Discretionary Reviews

- **Zoning Requirements:** Zoning Controls Mandate An HOA Directly or Indirectly.
  - Examples: **Dayton** (R-3 Amenities), **Lakeville** (Platting of Lots Less Than 70 ft Wide), **Otter Tail County**
- **Discretionary Reviews:** Added as a term and condition to a development approval.
  - Direct Request
  - Indirect Via Mandating Common Property Creation And / Or Maintenance
    - Can Insert Additional Common Property

# MN Supreme Court on “*Voluntary*” Development Terms and Conditions

*“A developer who fails to make a ‘voluntary’ payment in an amount Woodbury finds acceptable faces the prospect of denial of the subdivision application. The infrastructure charge is thus a requirement and Harstad is correct that there is nothing voluntary about it.”*

Justice G. Barry Anderson  
Minnesota Supreme Court  
*Harstad v. Woodbury* (2018)  
Unanimous Decision - Emphasis Added

# HOA Mandates: Tools of Fiscal Exclusion



## HOAs and Housing Affordability

	Median Existing	Median New
Home Price	\$340,000	\$540,000
Mortgage	\$2,730/month	\$4,051/month
HOA Fee	\$293/month	\$293/month
Total Payment	\$3,023/month	\$4,379 /month

**\$3,516** Annual HOA Fees

# HOA Fees Reduce Purchasing Power

At 7% Interest, \$100/month in HOA Fees Reduces Purchasing Power By \$12,500:

- US Median HOA Fee: \$293/month
  - **\$36,625 Loss** In Purchasing Power

# HOA Challenges

- HOA Fees Increase Over Time
- Lack of Maintenance & Assessments
- Volatile Insurance Market
- Reduces Property Rights
- Offloads Maintenance of Public Infrastructure
- HOA Fees & Property Tax Overlap

# Examples

1. Requests To Join An Unrelated HOA
2. Request To Form An HOA To Manage Outlots
3. Mandated HOA Management Of Required Infrastructure
4. Mandated Lawn Sprinklers With Mandates For HOA To Maintain
5. Townhomes Choose Between Optimal Units w/HOA or a Less Viable Project Without HOA

Thank You