Steve Horvath Supplemental Materials

Today, Member Colleen Daly asked a question of Daniel Lightfoot from the League of Minnesota Cities about why new developments are maintaining, for example, their own roads, instead of "sharing the wealth" and having municipal tax dollars to care for those roads. There is a wealth of academic research since 1990 that has explored questions like this. Please find below pertinent quotes and linked resources.

- *HOA United - Why Condo, Co-Op & HOA Legislation Matters*
- CIC Explainer Page from *Condo Connection*

"Beginning in the 1960s, common interest communities have become a major vehicle for shifting responsibilities previously associated with government agencies to the private sector. As fiscal pressures on local governments have increased, these governments have encouraged development of common interest communities. *These communities provide substantial and costly public facilities and services which end up being financed by developers of such servitude regimes and, ultimately, by the residents who buy homes and pay assessments to support these amenities. The public facilities provided range from park-like open spaces to streets, lighting, water and sewer facilities and recreational facilities.*

Services increasingly provided by common interest communities, but which previously have typically been provided by public governments, include general facilities maintenance, trash collection and disposal, and snow removal. The financial responsibilities of community associations are funded exclusively by the community's residents, who are required to pay regular and special assessments as needed to meet association costs.

There is substantial evidence to suggest that the "load-shedding" of local government fiscal responsibilities onto common interest communities has been a conscious governmental strategy for relieving strain on shrinking resources."

— James Winokur | ***Critical Assessment: The Financial Role of Community Associations*** | Jan. 1998

"Despite the mounting evidence that CID private governments are overly reliant on owner resources and lacking in institutional support, policy makers have favored self-protective steps to insulate public institutions from the risk of loss, rather than bolstering the private governments that pose that risk.

Such policies are an improvement over the reckless promotion and unregulated privatization that marked the rise of residential private government. At least we appear to have discarded the cavalier assumption that no institutional support or regulation are necessary. But what is missing, still, is a proactive and forward looking approach."

— Evan McKenzie | ***Rethinking Residential Private Government in the US: Recent Trends in Practices and Policy*** from 2016's *Private Communities and Urban Governance: Theoretical and Comparative Perspectives*

Table 3 Institutional support for CIDs and municipalities

Institutional support	CIDs	Municipalities
Financial support	General and special assessments, recreation fees—insurance proceeds in some situations	Taxes, fees, bonds, intergovernmental transfers and grants in aid
Bankruptcy	Extremely risky—owners ultimately responsible for paying debts of corporation	Chapter 9 of Bankruptcy code allows restructuring of debt
Training for community leaders	None required; expensive	Offered by national league of cities and other organizations
Professional support	Largely unregulated vendors organized through Community Associations Institute	Public Administration profession; academic journals; national and state level organizations
Government oversight	Minimal—judicial review in private litigation	Substantial
Media and public scrutiny of internal activities	Minimal—limited to colorful controversies–flags, pets, religious symbols, etc.	Substantial
Public availability of data on activities and finances	Almost nonexistent	Freedom of Information Act; sunshine laws; public availability of voluminous data

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"The existence of HOAs is something that many local governments actually appreciate. Cash-strapped municipalities like HOAs because developers build roads and parks and pass the costs along to the homeowners. In fact, many municipalities mandate the creation of HOAs in new developments." — John Oliver | April 2023 | Also read ***When your neighbors become your overlords*** **|** ***Quantifying the Cost of Sprawl***

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The developer has to "sell" the project to the municipality, and very often the sales pitch is a version of the following:

"You're going to get 50 new taxpayers, which will be much more revenue per acre than you'd get from single-family homes, and condos are going to pick up their own trash and they'll deal with their own

security issues. And they probably won't use your school system because the units are smaller..."
"The city is happy because logistically they know it's a better deal for them. So the developer gives away all these rights, but the rights they give away are the rights of the future owners, not theirs." — Jim Morrison | ***At your service. Or not. In some condo setups, you don't get what you pay for*** | Sep. 2022

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Just wanted to share, I'm on city council in a small city in the Midwest (US). I shared others' opinions of 'if you don't like an HOA don't move into one' for many years. Development is spreading all over my state and county and when the latest developers met with council they showed plans for a mixed use (houses and apartments) with houses having an HOA. When I inquired why, I was told because the city wants to rely on the HOA to manage the retention pond once the project is complete.

Then I went down a rabbit hole after the meeting as to why retention ponds are the new normal. Basically new developments don't follow the current building code and due to the smaller builds more closely together it created a runoff drainage issue. So the solution is now retention ponds for new builds, which means HOA's for any houses. So if you don't have an HOA, never leave! They're talking over. — ***HOA's are new standard, per city standards***

Regards,

Steve Horvath

HOA (Homeowners of America) United

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