

## CHAPTER 515B

## MINNESOTA COMMON INTEREST OWNERSHIP ACT

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ARTICLE 1  
APPLICABILITY, DEFINITIONS AND OTHER GENERAL PROVISIONS

## 515B.1-101 SHORT TITLE.

Sections 515B.1-101 through 515B.4-118 may be cited as the Minnesota Common Interest Ownership Act.

*History: 1993 c 222 art 1 s 1*

**515B.1-102 APPLICABILITY.**

(a) Except as provided in this section, this chapter, and not chapters 515 and 515A, applies to all common interest communities created within this state on and after June 1, 1994.

(b) The applicability of this chapter to common interest communities created prior to June 1, 1994, shall be as follows:

(1) This chapter shall apply to condominiums created under chapter 515A with respect to events and circumstances occurring on and after June 1, 1994; provided (i) that this chapter shall not invalidate the declarations, bylaws or condominium plats of those condominiums, and (ii) that chapter 515A, and not this chapter, shall govern all rights and obligations of a declarant of a condominium created under chapter 515A, and the rights and claims of unit owners against that declarant.

(2) The following sections shall apply to condominiums created under chapter 515: 515B.1-105 (Separate Titles and Taxation); 515B.1-106 (Applicability of Local Ordinances, Regulations, and Building Codes); 515B.1-107 (Eminent Domain); 515B.1-116 (Recording); 515B.2-103 (Construction and Validity of Declaration and Bylaws); 515B.2-104 (Description of Units); 515B.2-118 (Amendment of Declaration); 515B.3-102 (Powers of Unit Owners' Association); 515B.3-110 (Voting; Proxies); 515B.3-111 (Tort and Contract Liability); 515B.3-113 (Insurance); 515B.3-116 (Lien for Assessments); 515B.3-117 (Other Liens); 515B.3-118 (Association Records); 515B.3-121 (Accounting Controls); 515B.4-107 (Resale of Units); 515B.4-108 (Purchaser's Right to Cancel Resale); 515B.4-116 (Rights of Action; Attorney's Fees); and 515B.1-103 (Definitions) to the extent necessary in construing any of those sections. The foregoing sections shall apply only with respect to events and circumstances occurring on and after June 1, 1994, and shall not invalidate the declarations, bylaws or condominium plats of those condominiums.

(3) This chapter shall not apply to cooperatives and planned communities created prior to June 1, 1994; except by election pursuant to subsection (d).

(c) This chapter shall not invalidate any amendment to the declaration, bylaws or condominium plat of any condominium created under chapter 515 or 515A if the amendment was recorded before June 1, 1994. Any amendment recorded on or after June 1, 1994, shall be adopted in conformity with the procedures and requirements specified by those instruments and by this chapter. If the amendment grants to any person any rights, powers or privileges permitted by this chapter, all correlative obligations, liabilities and restrictions contained in this chapter shall also apply to that person.

(d) Any condominium created under chapter 515, any planned community or cooperative which would be exempt from this chapter under subsection (e), or any planned community or cooperative created prior to June 1, 1994, may elect to be subject to this chapter, as follows:

(1) The election shall be accomplished by recording a declaration or amended declaration, and a new or amended CIC plat where required, and by approving bylaws or amended bylaws, which conform to the requirements of this chapter, and which, in the case of amendments, are adopted in conformity with the procedures and requirements specified by the existing declaration and bylaws of the common interest community, and by any applicable statutes.

(2) In a condominium, the preexisting condominium plat shall be the CIC plat and an amended CIC plat shall be required only if the amended declaration or bylaws contain provisions inconsistent with the preexisting condominium plat. The condominium's CIC number shall be the apartment ownership number or condominium number originally assigned to it by the recording officer. In a cooperative in which the unit owners' interests are characterized as real estate, a CIC plat shall be required. In a planned community, the preexisting plat recorded pursuant to chapter 505, 508, or 508A, or the part of the plat upon which the common interest community is located, shall be the CIC plat.

(3) The amendment shall conform to the requirements of section 515B.2-118(d).

(4) Except as permitted by paragraph (3), no declarant, affiliate of declarant, association, master association nor unit owner may acquire, increase, waive, reduce or revoke any previously existing warranty rights or causes of action that one of said persons has against any other of said persons by reason of exercising the right of election under this subsection.

(5) A common interest community which elects to be subject to this chapter may, as a part of the election process, change its form of ownership by complying with the requirements of section 515B.2-123.

(e) Except as otherwise provided in this subsection, this chapter shall not apply, except by election pursuant to subsection (d), to the following:

(1) a planned community or cooperative which consists of 12 or fewer units subject to the same declaration, which is not subject to any rights to add additional real estate and which will not be subject to a master association;

(2) a common interest community where the units consist solely of separate parcels of real estate designed or utilized for detached single family dwellings or agricultural purposes, and where the association has no obligation to maintain any building containing a dwelling or any agricultural building;

(3) a planned community or cooperative where, at the time of creation of the planned community or cooperative, the unit owners' interests in the dwellings consist solely of leasehold interests having an unexpired term of fewer than 20 years, including renewal options;

(4) a common interest community containing only a combination of dwellings described in paragraphs (2) and (3);

(5) planned communities and cooperatives limited by the declaration to nonresidential use; or

(6) real estate subject only to an instrument or instruments filed primarily for the purpose of creating or modifying rights with respect to access, ditches, drainage or irrigation.

(f) Section 515B.1-106 shall apply to all common interest communities.

**History:** 1993 c 222 art 1 s 2; 1994 c 388 art 4 s 1; 1995 c 92 s 4

#### **515B.1-103 DEFINITIONS.**

In the declaration and bylaws, unless specifically provided otherwise or the context otherwise requires, and in this chapter:

(1) "Additional real estate" means real estate that may be added to a flexible common interest community.

(2) "Affiliate of a declarant" means any person who controls, is controlled by, or is under common control with a declarant.

(A) A person "controls" a declarant if the person (i) is a general partner, officer, director, or employer of the declarant, (ii) directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote, or holds proxies representing, more than 20 percent of the voting interest in the declarant, (iii) controls in any manner the election of a majority of the directors of the declarant, or (iv) has contributed more than 20 percent of the capital of the declarant.

(B) A person "is controlled by" a declarant if the declarant (i) is a general partner, officer, director, or employer of the person, (ii) directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote, or holds proxies representing, more than 20 percent of the voting interest in the person, (iii) controls in any manner the election of a majority of the directors of the person, or (iv) has contributed more than 20 percent of the capital of the person.

(C) Control does not exist if the powers described in this subsection are held solely as a security interest and have not been exercised.

(3) "Allocated interests" means the following interests allocated to each unit: (i) in a condominium, the undivided interest in the common elements, the common expense liability, and votes in the association; (ii) in a cooperative, the common expense liability and the ownership interest and votes in the association; and (iii) in a planned community, the common expense liability and votes in the association.

(4) "Association" means the unit owners' association organized under section 515B.3-101.

(5) "Board" means the body, regardless of name, designated in the articles of incorporation, bylaws or declaration to act on behalf of the association, or on behalf of a master association when so identified.

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(6) "CIC plat" means a common interest community plat described in section 515B.2-110.

(7) "Common elements" means all portions of the common interest community other than the units.

(8) "Common expenses" means expenditures made or liabilities incurred by or on behalf of the association, or master association when so identified, together with any allocations to reserves.

(9) "Common expense liability" means the liability for common expenses allocated to each unit pursuant to section 515B.2-108.

(10) "Common interest community" means contiguous or noncontiguous real estate within Minnesota that is subject to an instrument which obligates persons owning a separately described parcel of the real estate, or occupying a part of the real estate pursuant to a proprietary lease, by reason of their ownership or occupancy, to pay for (i) real estate taxes levied against; (ii) insurance premiums payable with respect to; (iii) maintenance of; or (iv) construction, maintenance, repair or replacement of improvements located on one or more parcels or parts of the real estate other than the parcel or part that the person owns or occupies.

(11) "Condominium" means a common interest community in which (i) portions of the real estate are designated as units, (ii) the remainder of the real estate is designated for common ownership solely by the owners of the units, and (iii) undivided interests in the common elements are vested in the unit owners.

(12) "Conversion property" means real estate on which is located a building that at any time within two years before creation of the common interest community was occupied as a residence wholly or partially by persons other than purchasers and persons who occupy with the consent of purchasers.

(13) "Cooperative" means a common interest community in which the real estate is owned by an association, each of whose members is entitled by virtue of the member's ownership interest in the association to a proprietary lease.

(14) "Dealer" means a person in the business of selling units for the person's own account.

(15) "Declarant" means:

(i) if the common interest community has been created, (A) any person who has executed a declaration, or an amendment to a declaration to add additional real estate, except secured parties, persons whose interests in the real estate will not be transferred to unit owners, or, in the case of a leasehold common interest community, a lessor who possesses no special declarant rights and who is not an affiliate of a declarant who possesses special declarant rights, or (B) any person who reserves, or succeeds under section 515B.3-104 to any special declarant rights; or

(ii) any person or persons acting in concert who have offered prior to creation of the common interest community to transfer their interest in a unit to be created and not previously transferred.

(16) "Declaration" means any instrument, however denominated, including any amendment to the instrument, that creates a common interest community.

(17) "Dispose" or "disposition" means a voluntary transfer to a purchaser of any legal or equitable interest in the common interest community, but the term does not include the transfer or release of a security interest.

(18) "Flexible common interest community" means a common interest community to which additional real estate may be added.

(19) "Leasehold common interest community" means a common interest community in which all or a portion of the real estate is subject to a lease the expiration or termination of which will terminate the common interest community or reduce its size.

(20) "Limited common element" means a portion of the common elements allocated by the declaration or by operation of section 515B.2-102(d) or (f) for the exclusive use of one or more but fewer than all of the units.

(21) "Master association" means an entity that directly or indirectly exercises any of the powers set forth in section 515B.3-102 on behalf of one or more members described in sec-

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tion 515B.2-121(b), (i), (ii) or (iii), whether or not it also exercises those powers on behalf of one or more property owners associations described in section 515B.2-121(b)(iv). An entity hired by an association to perform maintenance, repair, accounting, bookkeeping or management services is not, solely by virtue of that relationship, a master association.

(22) "Period of declarant control" means the time period provided for in section 515B.3-103(c) during which the declarant may appoint and remove officers and directors of the association.

(23) "Person" means an individual, corporation, limited liability company, partnership, trustee under a trust, personal representative, guardian, conservator, government, governmental subdivision or agency, or other legal or commercial entity capable of holding title to real estate.

(24) "Planned community" means a common interest community that is not a condominium or a cooperative. A condominium or cooperative may be a part of a planned community.

(25) "Proprietary lease" means an agreement with a cooperative association whereby a member of the association is entitled to exclusive possession of a unit in the cooperative.

(26) "Purchaser" means a person, other than a declarant, who by means of a voluntary transfer acquires a legal or equitable interest in a unit other than (i) a leasehold interest of less than 20 years, including renewal options, or (ii) a security interest.

(27) "Real estate" means any fee simple, leasehold or other estate or interest in, over, or under land, including structures, fixtures, and other improvements and interests that by custom, usage, or law pass with a conveyance of land though not described in the contract of sale or instrument of conveyance. "Real estate" may include spaces with or without upper or lower boundaries, or spaces without physical boundaries.

(28) "Residential use" means use as a dwelling, whether primary, secondary or seasonal, but not transient use such as hotels or motels.

(29) "Secured party" means the person owning a security interest as defined in paragraph (30).

(30) "Security interest" means a perfected interest in real estate or personal property, created by contract or conveyance, which secures payment or performance of an obligation. The term includes a mortgagee's interest in a mortgage, a vendor's interest in a contract for deed, a lessor's interest in a lease intended as security, a holder's interest in a sheriff's certificate of sale during the period of redemption, an assignee's interest in an assignment of leases or rents intended as security, a lender's interest in a cooperative share loan, a pledgee's interest in the pledge of an ownership interest, or any other interest intended as security for an obligation under a written agreement.

(31) "Special declarant rights" means rights reserved in the declaration for the benefit of a declarant to:

- (i) complete improvements indicated on the CIC plat;
- (ii) add additional real estate to a common interest community;
- (iii) subdivide units or convert units into common elements, limited common elements and/or units;
- (iv) maintain sales offices, management offices, signs advertising the common interest community, and models;
- (v) use easements through the common elements for the purpose of making improvements within the common interest community or any additional real estate;
- (vi) create a master association and provide for the exercise of authority by the master association over the common interest community or its unit owners;
- (vii) merge or consolidate a common interest community with another common interest community of the same form of ownership; or
- (viii) appoint or remove any officer or director of the association, or the master association where applicable, during any period of declarant control.

(32) "Time share" means a right to occupy a unit or any of several units during three or more separate time periods over a period of at least three years, including renewal options,

whether or not coupled with an estate or interest in a common interest community or a specified portion thereof.

(33) "Unit" means a physical portion of a common interest community the boundaries of which are described in the common interest community's declaration and which is intended for separate ownership or separate occupancy pursuant to a proprietary lease.

(34) "Unit identifier" means English letters or Arabic numerals, or a combination thereof, which identify only one unit in a common interest community and which meet the requirements of section 515B.2-104.

(35) "Unit owner" means a declarant or other person who owns a unit, or a lessee of a unit in a leasehold common interest community whose lease expires simultaneously with any lease the expiration or termination of which will remove the unit from the common interest community, but does not include a secured party. In a common interest community, the declarant is the unit owner of a unit until that unit has been conveyed to another person.

*History: 1993 c 222 art 1 s 3; 1994 c 388 art 4 s 2; 1995 c 92 s 5*

#### **515B.1-104 VARIATION BY AGREEMENT.**

The provisions of this chapter may not be varied by agreement, and rights conferred by it may not be waived, except as expressly provided in this chapter. A declarant may not act under a power of attorney, or use any other device, to evade the limitations or prohibitions of this chapter or the declaration.

*History: 1993 c 222 art 1 s 4*

#### **515B.1-105 SEPARATE TITLES AND TAXATION.**

(a) In a cooperative:

(1) The unit owners' interests in units and their allocated interests are wholly personal property, unless the declaration provides that the interests are wholly real estate. The characterization of these interests as real or personal property shall not affect whether homestead exemptions or classifications apply.

(2) The ownership interest in a unit which may be sold, conveyed, voluntarily or involuntarily encumbered, or otherwise transferred by a unit owner, is the right to possession of that unit under a proprietary lease coupled with the allocated interests of that unit, and the association's interest in that unit is not affected by the transaction.

(b) In a condominium or planned community:

(1) Each unit, and its allocated interest in the common elements, constitutes a separate parcel of real estate.

(2) If there is any unit owner other than a declarant, each unit shall be separately taxed and assessed, and no separate tax or assessment may be rendered against any common elements.

(c) If a declaration is recorded prior to 30 days before any installment of real estate taxes becomes payable, the local taxing authority shall split the taxes so payable on the common interest community among the units. Interest and penalties which would otherwise accrue shall not begin to accrue until at least 30 days after the split is accomplished.

(d) A unit used for residential purposes together with not more than three units used for vehicular parking, and their common element interests, shall be treated as one parcel of real estate in determining whether homestead exemptions or classifications apply.

*History: 1993 c 222 art 1 s 5; 1994 c 388 art 4 s 3*

#### **515B.1-106 APPLICABILITY OF LOCAL REQUIREMENTS.**

(a) Except as provided in subsections (b) and (c), a zoning, subdivision, building code, or other real estate use law, ordinance, charter provision, or regulation may not directly or indirectly prohibit the common interest community form of ownership or impose any requirement upon a common interest community, upon the creation or disposition of a common interest community or upon any part of the common interest community conversion process which it would not impose upon a physically similar development under a different

form of ownership. Otherwise, no provision of this chapter invalidates or modifies any provision of any zoning, subdivision, building code, or other real estate use law, ordinance, charter provision, or regulation.

(b) Subsection (a) shall not apply to any ordinance, rule, regulation, charter provision or contract provision relating to the financing of housing construction, rehabilitation, or purchases provided by or through a housing finance program established and operated pursuant to state or federal law by a state or local agency or local unit of government.

(c) A statutory or home rule charter city, pursuant to an ordinance or charter provision establishing standards to be applied uniformly within its jurisdiction, may prohibit or impose reasonable conditions upon the conversion of buildings to the common interest community form of ownership only if there exists within the city a significant shortage of suitable rental dwellings available to low and moderate income individuals or families or to establish or maintain the city's eligibility for any federal or state program providing direct or indirect financial assistance for housing to the city. Prior to the adoption of an ordinance pursuant to the authority granted in this subsection, the city shall conduct a public hearing. Any ordinance or charter provision adopted pursuant to this subsection shall not apply to any existing or proposed conversion common interest community (i) for which a bona fide loan commitment for a consideration has been issued by a lender and is in effect on the date of adoption of the ordinance or charter provision, or (ii) for which a notice of conversion or intent to convert required by section 515B.4-111, containing a termination of tenancy, has been given to at least 75 percent of the tenants and subtenants in possession prior to the date of adoption of the ordinance or charter provision.

(d) For purposes of providing marketable title, a statement in the declaration that the common interest community is not subject to an ordinance or that any conditions required under an ordinance have been complied with shall be prima facie evidence that the common interest community was not created in violation of the ordinance.

(e) A violation of an ordinance or charter provision adopted pursuant to the provisions of subsection (b) or (c) shall not affect the validity of a common interest community. This subsection shall not be construed to in any way limit the power of a city to enforce the provisions of an ordinance or charter provision adopted pursuant to subsection (b) or (c).

(f) Any ordinance or charter provision enacted hereunder shall not be effective for a period exceeding 18 months.

*History: 1993 c 222 art 1 s 6*

#### **515B.1-107 EMINENT DOMAIN.**

(a) If a unit is acquired by eminent domain, or if part of a unit is acquired by eminent domain leaving the unit owner with a remnant which may not practically or lawfully be used for any material purpose permitted by the declaration, the award shall compensate the unit owner and secured party in the unit as their interests may appear, whether or not any common element interest is acquired. Upon acquisition, unless the order or final certificate otherwise provides, that unit's allocated interests are automatically reallocated among the remaining units in proportion to their respective allocated interests prior to the taking, and the association shall promptly prepare, execute, and record an amendment to the declaration reflecting the allocations. Any remnant of a unit remaining after part of a unit is taken under this subsection is thereafter a common element.

(b) Except as provided in subsection (a), if part of a unit is acquired by eminent domain, the award shall compensate the unit owner and secured party for the reduction in value of the unit and its interest in the common elements, whether or not any common elements are acquired. Upon acquisition, unless the order or final certificate otherwise provides, (i) that unit's allocated interests are reduced in proportion to the reduction in the size of the unit, or on any other basis specified in the declaration and (ii) the portion of the allocated interests divested from the partially acquired unit are automatically reallocated to that unit and to the remaining units in proportion to the respective allocated interests of those units before the taking, with the partially acquired unit participating in the reallocation on the basis of its reduced allocated interests.

(c) If part of the common elements is acquired by eminent domain, the portion of the award attributable to the common elements taken shall be paid to the association. Unless the declaration provides otherwise, any portion of the award attributable to the acquisition of a limited common element shall be equally divided among the owners of the units to which that limited common element was allocated at the time of acquisition and their secured parties, as their interests may appear or as provided by the declaration.

(d) In any eminent domain proceeding the units shall be treated as separate parcels of real estate for valuation purposes, regardless of the number of units subject to the proceeding.

(e) Any distribution to a unit owner from the proceeds of an eminent domain award shall be subject to any limitations imposed by the declaration or bylaws.

(f) The court order or final certificate containing the final awards shall be recorded in every county in which any portion of the common interest community is located.

**History:** 1993 c 222 art 1 s 7

#### **515B.1-108 THIS CHAPTER PREVAILS; SUPPLEMENTAL LAW.**

The principles of law and equity, including the law of corporations, the law of real property, the law relative to capacity to contract, principal and agent, eminent domain, estoppel, fraud, misrepresentation, duress, coercion, mistake, receivership, substantial performance, or other validating or invalidating cause supplement the provisions of this chapter, except to the extent inconsistent with this chapter.

**History:** 1993 c 222 art 1 s 8

#### **515B.1-109 CONSTRUCTION AGAINST IMPLICIT REPEAL.**

This chapter being a general act intended as a unified coverage of its subject matter, no part of it shall be construed to be impliedly repealed by subsequent legislation if that construction can reasonably be avoided.

**History:** 1993 c 222 art 1 s 9

**515B.1-110** [Repealed, 1996 c 310 s 1]

**515B.1-111** [Repealed, 1996 c 310 s 1]

#### **515B.1-112 UNCONSCIONABLE AGREEMENT OR TERM OF CONTRACT.**

(a) The court, upon finding as a matter of law that a contract or contract clause was unconscionable at the time the contract was made, may refuse to enforce the contract, enforce the remainder of the contract without the unconscionable clause, or limit the application of any unconscionable clause in order to avoid an unconscionable result.

(b) Whenever it is claimed, or appears to the court, that a contract or any contract clause is or may be unconscionable, the parties, in order to aid the court in making the determination, shall be afforded a reasonable opportunity to present evidence as to:

(1) the commercial setting of the negotiations;

(2) whether a party has knowingly taken advantage of the inability of the other party reasonably to protect the other party's interests by reason of physical or mental infirmity, illiteracy, inability to understand the language of the agreement, or similar factors;

(3) the effect and purpose of the contract or clause; and

(4) if a sale, any gross disparity, at the time of contracting, between the amount charged for the property and the value of that property measured by the price at which similar property was readily obtainable in similar transaction, provided, that this factor shall not, of itself, render the contract unconscionable.

**History:** 1993 c 222 art 1 s 12

#### **515B.1-113 OBLIGATION OF GOOD FAITH.**

Every contract or duty governed by this chapter imposes an obligation of good faith in its performance or enforcement.

**History:** 1993 c 222 art 1 s 13



**515B.1-114 REMEDIES TO BE LIBERALLY ADMINISTERED.**

(a) The remedies provided by this chapter shall be liberally administered to the end that the aggrieved party is put in as good a position as if the other party had fully performed. However, consequential, special, or punitive damages may not be awarded except as specifically provided in this chapter or by other rule of law.

(b) Any right or obligation declared by this chapter is enforceable by judicial proceeding, unless the provision declaring it provides otherwise.

*History: 1993 c 222 art 1 s 14*

**515B.1-115 NOTICE.**

Except as otherwise stated in this chapter all notices required by this chapter shall be in writing and shall be effective upon hand delivery, or upon mailing if properly addressed with postage prepaid and deposited in the United States mail.

*History: 1993 c 222 art 1 s 15*

**515B.1-116 RECORDING.**

(a) A declaration, bylaws, any amendment to a declaration or bylaws, and any other instrument affecting a common interest community shall be entitled to be recorded. In those counties which have a tract index, the county recorder shall enter the declaration in the tract index for each unit affected. The registrar of titles shall file the declaration on the certificate of title for each unit affected.

(b) The recording officer shall upon request promptly assign a number (CIC number) to a common interest community to be formed or to a common interest community resulting from the merger of two or more common interest communities.

(c) Documents recorded pursuant to this chapter shall in the case of registered land be filed, and references to the recording of documents shall mean filed in the case of registered land.

(d) Subject to any specific requirements of this chapter, if any document to be recorded pursuant to this chapter requires approval by a certain vote or agreement of the unit owners or secured parties, an affidavit of the secretary of the association stating that the required vote or agreement has occurred shall be attached to the document and shall constitute prima facie evidence of the representations contained therein.

(e) If a common interest community is located on registered land, the recording fee for any document affecting two or more units shall be the then-current fee for registering the document on the certificates of title for the first ten affected certificates and one-third of the then-current fee for each additional affected certificate. This provision shall not apply to recording fees for deeds of conveyance, with the exception of deeds given pursuant to sections 515B.2-119 and 515B.3-112.

(f) An amendment to or restatement of a declaration or bylaws, or an amended CIC plat, approved by the required vote of unit owners of an association may be recorded without the necessity of paying the current or delinquent taxes on any of the units in the common interest community.

(g) The registrar of titles shall not require the filing on certificates of title previously issued for units in a flexible common interest community of an amendment to a declaration pursuant to section 515B.2-111 made solely to add additional real estate.

*History: 1993 c 222 art 1 s 16; 1994 c 388 art 4 s 4; 1995 c 92 s 6*

## ARTICLE 2 CREATION, ALTERATION AND TERMINATION

**515B.2-101 CREATION OF COMMON INTEREST COMMUNITIES.**

(a) A common interest community may be created only as follows:

(1) A condominium may be created only by recording a declaration.

(2) A cooperative may be created only by recording a declaration and by recording a conveyance of the real estate subject to that declaration to the association.

(3) A planned community which includes common elements may be created only by recording a declaration and by recording a conveyance of the common elements subject to that declaration to the association.

(4) A planned community without common elements may be created only by recording a declaration.

(b) Except as otherwise expressly provided in this chapter, the declaration shall be executed by all persons whose interests in the real estate will be conveyed to unit owners, except vendors under contracts for deed, and by every lessor of a lease the expiration or termination of which will terminate the common interest community. The declaration shall be recorded in every county in which any portion of the common interest community is located. Failure of any party not required to execute a declaration, but having a recorded interest in the common interest community, to join in the declaration shall have no effect on the validity of the common interest community; provided that the party is not bound by the declaration until that party acknowledges the existence of the common interest community in a recorded instrument.

(c) In a condominium or real estate cooperative, a declaration, or an amendment to a declaration adding units, may not be recorded unless all structural components and mechanical systems of all buildings containing or comprising any units thereby created, but not necessarily the units, are substantially completed, as evidenced by a recorded certificate executed by a registered engineer or architect.

(d) A project which meets the definition of a "common interest community" in section 515B.1-103(10), and is not exempt under section 515B.1-102(e), is subject to this chapter even if this or other sections of the chapter have not been complied with, and the declarant and all unit owners are bound by all requirements and obligations of this chapter.

*History: 1993 c 222 art 2 s 1*

#### **515B.2-102 UNIT BOUNDARIES.**

(a) The declaration shall describe the boundaries of the units as provided in section 515B.2-105(5). The boundaries need not be delineated by a physical structure. The unit may consist of noncontiguous portions of the common interest community.

(b) In a condominium or cooperative, except as the declaration otherwise provides, if the walls, floors, or ceilings of a unit are designated as its boundaries, then the boundaries shall be the interior, unfinished surfaces of the perimeter walls, floors and ceilings of the unit. All paneling, tiles, wallpaper, paint, floor covering, and any other finishing materials applied to the interior surfaces of the perimeter walls, floors or ceilings, are a part of the unit, and all other portions of the walls, floors, or ceilings, including perimeter doors and windows, and their frames, are a part of the common elements.

(c) In a planned community, except as the declaration otherwise provides, the unit boundaries shall be the boundary lines as designated on a plat recorded pursuant to chapter 505 or on a registered land survey filed pursuant to chapter 508 or 508A.

(d) If any chute, flue, duct, wire, conduit, bearing wall, bearing column, or any other fixture lies partially within and partially outside of the designated boundaries of a unit, any portion thereof serving only that unit is a limited common element allocated solely to that unit, and any portion thereof serving more than one unit or any portion of the common elements is a part of the common elements.

(e) Subject to subsection (d), all spaces, interior partitions, and other fixtures and improvements within the boundaries of a unit are a part of the unit.

(f) Improvements such as shutters, awnings, window boxes, doorsteps, stoops, porches, balconies, decks, patios, perimeter doors and windows, constructed as part of the original construction to serve a single unit, and authorized replacements and modifications thereof, if located outside the unit's boundaries, are limited common elements allocated exclusively to that unit.

*History: 1993 c 222 art 2 s 2*

**515B.2-103 CONSTRUCTION AND VALIDITY OF DECLARATION AND BY-LAWS.**

(a) All provisions of the declaration and bylaws are severable.

(b) The rule against perpetuities may not be applied to defeat any provision of the declaration or this chapter, or any instrument executed pursuant to the declaration or this chapter.

(c) In the event of a conflict between the provisions of the declaration and the bylaws, the declaration prevails except to the extent that the declaration is inconsistent with this chapter.

**History:** 1993 c 222 art 2 s 3

**515B.2-104 DESCRIPTION OF UNITS.**

(a) A description of a unit is legally sufficient if it sets forth (i) the unit identifier of the unit, (ii) the number assigned to the common interest community by the recording officer, and (iii) the county in which the unit is located.

(b) If the CIC plat for a planned community complies with chapter 505, 508, or 508A, then a description of a unit in the planned community is legally sufficient if it is stated in terms of a plat or registered land survey. Any instrument conveying or asserting an interest in a unit shall reference the county and the common interest community number immediately following the name of the plat or registered land survey. In planned communities whose CIC plats comply with section 515B.2-110(c), and in all condominiums and cooperatives created under this chapter, a unit identifier shall contain no more than six characters, only one of which may be a letter.

(c) A description which conforms to the requirements of this section shall be deemed to include all rights, obligations, and interests appurtenant to the unit which were created by the declaration or bylaws, or by this chapter, whether or not those rights, obligations, or interests are expressly described.

(d) If the CIC plat for a planned community complies with section 515B.2-110(c) a description of the common elements is legally sufficient if it sets forth (i) the words "common elements," (ii) the number assigned to the common interest community by the recording officer, and (iii) the county in which the common elements are located. The common elements may consist of separate parcels of real estate, in which case each parcel shall be separately identified on the CIC plat and in any recorded instrument referencing a separate parcel of the common elements.

**History:** 1993 c 222 art 2 s 4; 1994 c 388 art 4 s 5; 1995 c 92 s 7

**515B.2-105 DECLARATION CONTENTS; ALL COMMON INTEREST COMMUNITIES.**

(a) The declaration shall contain:

(1) the number of the common interest community, whether the common interest community is a condominium, planned community or cooperative, and the name of the common interest community, which shall appear at the top of the first page of the declaration in the following format:

Common Interest Community No. ....  
(Type of Common Interest Community)

(Name of Common Interest Community)

(DECLARATION)

(2) a statement as to whether the common interest community is or is not subject to a master association;

(3) the name of the association, a statement that the association has been incorporated and a reference to the statute under which it was incorporated;

(4) a legally sufficient description of the real estate included in the common interest community, including the name of the county, and any appurtenant easements;

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(5) a description of the boundaries of each unit created by the declaration and the unit's unit identifier;

(6) in a planned community containing common elements, a legally sufficient description of the common elements;

(7) in a cooperative, a statement as to whether the unit owners' interests in all units and their allocated interests are real estate or personal property;

(8) an allocation to each unit of the allocated interests in the manner described in section 515B.2-108;

(9) a statement of (i) the total number of units and (ii) which units will be restricted to residential use and which units will be restricted to nonresidential use;

(10) a statement of the maximum number of units which may be created by the subdivision or conversion of units owned by the declarant pursuant to section 515B.2-112;

(11) any material restrictions on use, occupancy, or alienation of the units, or on the sale price of a unit or on the amount that may be received by an owner on sale, condemnation or casualty loss to the unit or to the common interest community, or on termination of the common interest community; provided, that these requirements shall not affect the power of the association to adopt, amend or revoke rules and regulations pursuant to section 515B.3-102;

(12) a statement as to whether time shares are permitted; and

(13) all matters required by sections 515B.1-103(31), Special Declarant Rights; 515B.2-107, Leaseholds; 515B.2-109, Common Elements and Limited Common Elements; 515B.2-110, Common Interest Community Plat; 515B.3-115, Assessments for Common Expenses; and 515B.2-121, Master Associations.

(b) The declaration may contain any other matters the declarant considers appropriate.

*History: 1993 c 222 art 2 s 5; 1994 c 388 art 4 s 6; 1995 c 92 s 8*

## **515B.2-106 DECLARATION OF FLEXIBLE COMMON INTEREST COMMUNITIES.**

The declaration for a flexible common interest community shall include, in addition to the matters specified in section 515B.2-105:

(1) a reservation of any rights to add additional real estate;

(2) a statement of any time limit, not exceeding ten years after the recording of the declaration, upon which any right reserved under paragraph (1) will lapse, together with a statement of any circumstances that will terminate the option before the expiration of the time limit. If no time limit is set forth in the declaration, the time limit shall be ten years after the recording of the declaration; provided, that the time limit may be extended by an amendment to the declaration approved in writing by the declarant, and by the vote or written agreement of unit owners, other than the declarant or an affiliate of the declarant, to whose units are allocated at least 67 percent of the votes in the association;

(3) a statement of any limitations on any rights reserved under paragraph (1), other than limitations created by or imposed pursuant to law;

(4) a legally sufficient description of the additional real estate;

(5) a statement as to whether portions of any additional real estate may be added at different times;

(6) a statement of (i) the maximum number of units that may be created within any additional real estate, and (ii) how many of those units will be restricted to residential use;

(7) a statement that any buildings and units erected upon the additional real estate, when and if added, will be compatible with the other buildings and units in the common interest community in terms of architectural style, quality of construction, principal materials employed in construction, and size, or a statement of any differences with respect to the buildings or units, or a statement that no assurances are made in those regards;

(8) a statement that all restrictions in the declaration affecting use, occupancy, and alienation of units will apply to units created in the additional real estate, when and if added, or a statement of any differences with respect to the additional units;

(9) a statement as to whether any assurances made in the declaration regarding additional real estate pursuant to paragraphs (5) through (8) will apply if the real estate is not added to the common interest community.

**History:** 1993 c 222 art 2 s 6

#### **515B.2-107 DECLARATION OF LEASEHOLD COMMON INTEREST COMMUNITIES.**

(a) Any lease the expiration or termination of which may terminate the common interest community or reduce its size, or a memorandum thereof, shall be recorded. The declaration of a leasehold common interest community shall include:

(1) the recording data for the lease, or the memorandum of lease, and a statement of where the complete lease may be inspected if only a memorandum is recorded;

(2) the date on which the lease expires;

(3) a legally sufficient description of the real estate subject to the lease;

(4) any right of the unit owners to purchase the lessor's interest in the lease and the procedure for exercise of those rights, or a statement that they do not have those rights;

(5) any right of the unit owners to remove any improvements within a reasonable time after the expiration or termination of the lease, or a statement that they do not have those rights; and

(6) any rights of the unit owners to renew the lease and the conditions of any renewal, or a statement that they do not have those rights.

(b) After the declaration of a leasehold condominium or leasehold planned community is recorded, neither the lessor who has joined in the declaration nor any successor in interest may terminate the leasehold interest of a unit owner who makes timely payment of the unit owner's share of the rent and otherwise complies with all covenants which, if violated, would entitle the lessor to terminate the lease. A unit owner's leasehold interest in a condominium or planned community is not affected by failure of any other person to pay rent or fulfill any other covenant.

(c) Acquisition of the leasehold interest of any unit owner by the owner of the reversion or remainder does not merge the leasehold and fee simple interest unless the leasehold interest of all unit owners subject to that reversion or remainder are acquired.

(d) If the expiration or termination of a lease decreases the number of units in a common interest community, the allocated interests shall be reallocated in accordance with section 515B.1-107 as if those units had been taken by eminent domain. Reallocations must be confirmed by an amendment to the declaration prepared, executed, and recorded by the association.

**History:** 1993 c 222 art 2 s 7

#### **515B.2-108 ALLOCATION OF INTERESTS.**

(a) The declaration shall allocate to each unit:

(1) in a condominium, a fraction or percentage of undivided interests in the common elements and in the common expenses of the association and a portion of the votes in the association;

(2) in a cooperative, an ownership interest in the association, a fraction or percentage of the common expenses of the association and a portion of the votes in the association; and

(3) in a planned community, a fraction or percentage of the common expenses of the association and a portion of the votes in the association.

(b) The declaration shall state the formulas used to establish allocations of interests. If the fractions or percentages are all equal the declaration may so state in lieu of stating the fractions or percentages. The allocations may not discriminate in favor of units owned by the declarant or an affiliate of the declarant, except as provided in section 515B.3-115.

(c) If units may be added to the common interest community, the declaration shall state the formulas to be used to reallocate the allocated interests among all units included in the common interest community after the addition.

(d) The declaration may authorize special allocations which provide: (i) that different allocations of votes and/or common expenses shall be made among certain units or classes of units on particular matters specified in the declaration, or (ii) for class voting on specified issues affecting the class, with respect to allocations within the class or common expenses pertaining only to the class, or to otherwise protect valid interests of the class. Special allocations shall be used to address operational, physical or administrative differences within the common interest community. A declarant may not utilize special allocations for the purpose of evading any limitation imposed on declarants by this chapter nor may units constitute a class because they are owned by a declarant.

(e) The sum of each category of allocated interests allocated at any time to all the units must equal one if stated as a fraction or 100 percent if stated as a percentage. In the event of a discrepancy between an allocated interest and the result derived from application of the pertinent formula, the allocated interest prevails.

(f) In a condominium or planned community, the common elements are not subject to partition, and any purported conveyance, encumbrance, judicial sale, or other voluntary or involuntary transfer of an undivided interest in the common elements made without the unit to which that interest is allocated is void. The granting of easements, licenses or leases pursuant to section 515B.3-102 shall not constitute a partition.

(g) In a cooperative, any purported conveyance, encumbrance, judicial sale, or other voluntary or involuntary transfer of an ownership interest in the association made without the possessory interest in the unit to which that interest is related is void.

**History:** 1993 c 222 art 2 s 8

#### **515B.2-109 COMMON ELEMENTS AND LIMITED COMMON ELEMENTS.**

(a) Common elements other than limited common elements may be used in common by all unit owners. Limited common elements are designated for the exclusive use of the unit owners of the unit or units to which the limited common elements are allocated, subject to subsection (b) and the rights of the association as set forth in the declaration, the bylaws or this chapter.

(b) Except for the limited common elements described in section 515B.2-102, subsections (d) and (f), the declaration shall specify to which unit or units each limited common element is allocated.

(c) An allocation of limited common elements may be changed by an amendment to the declaration executed by the unit owners between or among whose units the reallocation is made and the association. The amendment shall be approved by the board of directors of the association as to form, and compliance with the declaration and this chapter. The association shall establish fair and reasonable procedures and time frames for the submission and processing of the reallocations, and shall maintain records thereof. If approved, the association shall cause the amendment to be recorded promptly. The amendment shall be effective when recorded. The association may require the unit owners requesting the reallocation to pay all fees and costs for reviewing, preparing and recording the amendment and any amended CIC plat.

**History:** 1993 c 222 art 2 s 9; 1995 c 92 s 9

#### **515B.2-110 COMMON INTEREST COMMUNITY PLAT (CIC PLAT).**

(a) The CIC plat is required for condominiums and planned communities, and cooperatives in which the unit owners' interests are characterized as real estate. The CIC plat for a planned community which does not comply with subsection (c) may consist of all or part of the subdivision plat satisfying the requirements of chapter 505, 508, or 508A, and the number of the common interest community need not appear on the CIC plat. The CIC plat is a part of the declaration in condominiums, and in cooperatives in which the unit owners' interests are characterized as real estate, but need not be physically attached to the declaration. In cooperatives in which the unit owners' interests are characterized as personal property, a CIC plat shall not be required. In lieu of a CIC plat, the declaration or any amendment to it creating, converting, or subdividing units in a personal property cooperative shall include an exhibit containing a scale drawing of each building, identifying the building, and showing the perim-

eter walls of each unit created or changed by the declaration or any amendment to it, including the unit's unit identifier, and its location within the building if the building contains more than one unit.

(b) The CIC plat for condominiums, for planned communities using a plat complying with subsection (c), and for cooperatives in which the unit owners' interests are characterized as real estate, shall contain certifications by a registered professional land surveyor and registered professional architect, as to the parts of the CIC plat prepared by each, that (i) the CIC plat accurately depicts all information required by this section, and (ii) the work was undertaken by, or reviewed and approved by, the certifying land surveyor or architect. The portions of the CIC plat depicting the dimensions of the portions of the common interest community described in subsections (c)(8), (9), (10), and (12), may be prepared by either a land surveyor or an architect. The other portions of the CIC plat shall be prepared only by a land surveyor. Certification by the land surveyor or architect does not constitute a guaranty or warranty of the nature, suitability, or quality of construction of any improvements located or to be located in the common interest community.

(c) A CIC plat for a condominium or cooperative shall show:

(1) the number of the common interest community, and the boundaries, dimensions and a legally sufficient description of the land included therein;

(2) the dimensions and location of all existing, material structural improvements and roadways;

(3) the intended location and dimensions of any contemplated common element improvements to be constructed within the common interest community after the filing of the CIC plat, labeled either "MUST BE BUILT" or "NEED NOT BE BUILT";

(4) the location and dimensions of any additional real estate, labeled as such, and a legally sufficient description of the additional real estate;

(5) the extent of any encroachments by or upon any portion of the common interest community;

(6) the location and dimensions of all recorded easements within the common interest community serving or burdening any portion of the common interest community;

(7) the distance and direction between noncontiguous parcels of real estate;

(8) the location and dimensions of limited common elements, for example, storage lockers, porches, balconies, decks and patios, other than limited common elements described in section 515B.2-102, subsections (d) and (f);

(9) the location and dimensions of the front, rear, and side boundaries of each unit and that unit's unit identifier;

(10) the location and dimensions of the upper and lower boundaries of each unit with reference to an established or assumed datum and that unit's unit identifier;

(11) a legally sufficient description of any real estate in which the unit owners will own only an estate for years, labeled as "leasehold real estate";

(12) any units which may be converted by the declarant to create additional units or common elements identified separately.

(d) A CIC plat for a planned community either shall comply with subsection (c) or it shall:

(1) satisfy the requirements of chapter 505, 508, or 508A, as applicable; and

(2) satisfy the platting requirements of any governmental authority within whose jurisdiction the planned community is located, subject to the limitations set forth in section 515B.1-106.

(e) If a declarant adds additional real estate, the declarant shall record a supplemental CIC plat or plats for the real estate being added, conforming to the requirements of this section which apply to the type of common interest community in question. If less than all additional real estate is being added, the supplemental CIC plat for a condominium, a planned community whose CIC plat complies with subsection (c), or a cooperative in which the unit owners' interests are characterized as real estate, shall also show the location and dimensions of the remaining portion.

(f) If a declarant subdivides or converts any unit into two or more units, common elements or limited common elements, the declarant shall record an amendment to the CIC plat showing the location and dimensions of any new units, common elements and limited common elements thus created.

**History:** 1993 c 222 art 2 s 10; 1994 c 388 art 4 s 7; 1995 c 92 s 10

#### **515B.2-111 EXPANSION OF FLEXIBLE COMMON INTEREST COMMUNITY.**

(a) To add additional real estate pursuant to a right reserved under section 515B.2-106(1), all persons whose interests in the additional real estate will be conveyed to unit owners, except vendors under a contract for deed, shall execute and record an amendment to the declaration as provided in this section. The amendment to the declaration shall:

- (1) assign a unit identifier to each unit formed in the additional real estate;
- (2) reallocate common element interests, votes in the association, and common expense liabilities in compliance with the declaration and section 515B.2-108;
- (3) describe any limited common elements formed out of the additional real estate, designating the unit to which each is allocated to the extent required by section 515B.2-109;
- (4) contain such other provisions as may be reasonably required by the association; and
- (5) conform to the applicable requirements of the declaration and the act.

(b) A declarant shall give notice of its intention to add additional real estate as follows:

(1) If the period of declarant control has expired, to the association in the same manner as service of summons in a civil action in district court at least 15 days prior to recording the amendment. A copy of the amendment shall be attached to the notice.

(2) If the period of declarant control has not expired, to the unit owners by notice (one notice per unit) given in the manner provided in section 515B.1-115, not less than 15 days prior to recording the amendment, addressed to "Unit Owner Entitled to Legal Notice" at each unit or to the unit owner at such other address as may be designated by notice from the unit owner. The declarant shall provide a copy of the amendment at no cost to any unit owner within five business days of the unit owner's request, and the notice shall include a statement to that effect.

(3) Proof of notice to the association or the unit owners, as the case may be, shall be attached to the recorded amendment. Following service of notice, the amendment shall not be changed so as to materially and adversely affect the rights of unit owners or the association.

(c) A lien upon the additional real estate that is not also upon the existing common interest community is a lien only upon the units, and their respective interest in the common elements (if any), that are created from the additional real estate. Units within the common interest community as it existed prior to expansion are transferred free of liens that existed only upon the additional real estate, notwithstanding the fact that the interest in the common elements is a portion of the entire common interest community, including the additional real estate.

**History:** 1993 c 222 art 2 s 11

#### **515B.2-112 SUBDIVISION OR CONVERSION OF UNITS.**

(a) If the declaration so provides, (i) a unit owned by a person other than a declarant may be subdivided into two or more units, or (ii) a unit owned by a declarant may be subdivided or converted into two or more units, limited common elements, common elements, or a combination of units, limited common elements or common elements, subject to subsections (b) and (c).

(b) If a unit is owned by a unit owner other than a declarant, the unit owner shall prepare and submit to the association for approval an application for an amendment to the declaration and amended CIC plat, for the purpose of subdividing the unit. The application shall contain, at a minimum, a general description of the proposed subdivision, and shall specify in detail the matters required by paragraphs (2) and (3). The association shall establish fair and reasonable procedures and time frames for the submission and prompt processing of the ap-



plications. If the application is approved, the unit owner shall cause an amendment and amended CIC plat to be prepared based upon the approved application. The amendment shall:

- (1) be executed by the unit owner and any secured party with respect to the unit;
- (2) assign a unit identifier to each unit created;
- (3) reallocate the common element interest, votes in the association, and common expense liability formerly allocated to the unit among the units created on the basis described in the declaration;

(4) contain such other provisions as may be reasonably required by the association; and

(5) conform to the requirements of the declaration and this chapter. The basis for disapproval shall be limited to (i) structural or safety considerations, (ii) liability considerations for the association and other unit owners, (iii) aesthetic considerations if the changes affect exterior portions of a structure, or (iv) a failure to comply with the declaration, this chapter, or governmental laws, ordinances or regulations. The association shall give written notice of its decision and/or required changes to the unit owner. If the amendment conforms to the application, the declaration and this chapter, the association shall be obligated to execute the amendment and cooperate in its recording. The unit owner shall record the amendment and the amended CIC plat and deliver a copy of the recorded amendment and amended CIC plat to the association. The association may require the unit owners executing the amendment to pay all fees and costs for reviewing, preparing and recording the amendment and the amended CIC plat, and any other fees or costs incurred by the association in connection therewith.

(c) If a unit is owned by a declarant, the declarant shall prepare and record at its expense an amendment and amended CIC plat subdividing or converting the unit. The amendment shall comply with the requirements of subsection (b)(1), (2), (3) and (5), and shall be limited to those provisions necessary to accomplish the subdivision or conversion unless the consent of unit owners required to amend the declaration is obtained.

(d) If a secured party joins in the amendment pursuant to this section, its interest and remedies shall be deemed to apply to the units and the common element interests that result from the subdivision or conversion of the unit. If the secured party enforces any remedy, including foreclosure of its lien, against any of the units created, all instruments and notices shall describe the subject property in terms of the amended descriptions.

**History:** 1993 c 222 art 2 s 12

### 515B.2-113 ALTERATIONS OF UNITS.

Subject to the provisions of the declaration and applicable law:

(a) A unit owner may make any improvements or alterations to the unit that do not impair the structural integrity or mechanical systems, affect the common elements, or impair the support of any portion of the common interest community provided, (i) that prior arrangements are made with the association to ensure that other unit owners are not disturbed, (ii) that the common elements are not damaged, and (iii) that the common elements and other units are protected against mechanics' liens.

(b) A unit owner may, after acquiring title to an adjoining unit or an adjoining part of an adjoining unit, with the prior written approval of the association and first mortgagees of the affected units, remove or alter any intervening partition or create apertures therein, even if the partition is part of the common elements, if those acts do not impair the structural integrity or mechanical systems or lessen the support of any portion of the common interest community. The adjoining unit owners shall have the exclusive license to use the space occupied by the removed partition, but the use shall not create an easement or vested right. Removal of partitions or creation of apertures under this paragraph is not an alteration of boundaries. The association may require that the owner or owners of units affected replace or restore any removed partition, that the unit owner comply with subsection (a)(i), (ii) and (iii), and that the unit owner pay all fees and costs incurred by the association in connection with the alteration.

**History:** 1993 c 222 art 2 s 13

**515B.2-114 RELOCATION OF BOUNDARIES BETWEEN ADJOINING UNITS.**

(a) Subject to the provisions of the declaration and applicable law, the boundaries between adjoining units may be relocated by an amendment to the declaration upon the submission of an application to the association by the owners of those units and approval by the association. The application shall contain, at a minimum, a general description of the proposed relocation, and shall specify in detail the matters required by subsection (b)(2) and (3).

(b) The association shall establish fair and reasonable procedures and time frames for the submission and prompt processing of the applications. The basis for disapproval shall be limited to structural or safety considerations, or a failure to comply with the declaration, this chapter, or governmental laws, ordinances or regulations. If the application is approved, the unit owners making the application shall cause an amendment and amended CIC plat to be prepared based upon the approved application, and submit them to the association for approval. The amendment shall:

- (1) be executed by the unit owners and by any secured party with respect to the units;
- (2) identify the units involved;
- (3) reallocate the common element interest, votes in the association and common expense liability formerly allocated to the units among the newly defined units on the basis described in the declaration;
- (4) contain words of conveyance between them;
- (5) contain such other provisions as may be reasonably required by the association; and
- (6) conform to the requirements of the declaration and this chapter.

(c) The interest and remedies of a secured party which joins in the amendment pursuant to this section shall be deemed to be modified as provided in the amendment.

(d) The association may require the unit owners making the application to build a boundary wall and other common elements between the units, and to pay all fees and costs for reviewing, preparing and recording the amendment and the amended CIC plat, and any other fees or costs incurred by the association in connection therewith.

(e) The applicant shall deliver a copy of the recorded amendment and amended CIC plat to the association.

**History:** 1993 c 222 art 2 s 14

**515B.2-115 MINOR VARIATIONS IN BOUNDARIES.**

The existing physical boundaries of a unit, or of a unit reconstructed in substantial accordance with the description contained in the original declaration, are its legal boundaries, regardless of vertical or lateral movement of the building or minor variances due to shifting or settling. This section does not relieve a declarant or any other person of liability for failure to adhere to the CIC plat or for any representation in a disclosure statement.

**History:** 1993 c 222 art 2 s 15

**515B.2-116 USE FOR SALES PURPOSES.**

A declarant may maintain sales offices, management offices, and models in units or on common elements in the common interest community only if the declaration so provides and specifies the rights of a declarant with regard to the number and location thereof. If the declaration so provides, a declarant may maintain signs on the common elements and in model units advertising the common interest community. Rights granted pursuant to this section are subject to the provisions of other state laws and to local ordinances.

**History:** 1993 c 222 art 2 s 16

**515B.2-117 DECLARANT'S EASEMENT RIGHTS.**

Subject to the provisions of the declaration, a declarant has an easement through the common elements as may be reasonably necessary for the purpose of discharging the declarant's obligations or exercising special declarant rights, whether arising under this chapter or reserved in the declaration.

**History:** 1993 c 222 art 2 s 17

**515B.2-118 AMENDMENT OF DECLARATION.**

(a) Except in cases of amendments that may be executed by a declarant under section 515B.2-111 or 515B.2-112, or by the association and/or certain unit owners under section 515B.2-107, 515B.2-109, 515B.2-112, 515B.2-113, 515B.2-114, or 515B.2-119, and except as limited by subsection (d), the declaration, including any CIC plat, may be amended only by vote or written agreement of unit owners of units to which at least 67 percent of the votes in the association are allocated, or any greater or other requirement the declaration specifies. The declaration may specify a smaller percentage only if all of the units are restricted to nonresidential use.

(b) No action to challenge the validity of an amendment adopted by the association pursuant to this section may be brought more than two years after the amendment is recorded.

(c) Every amendment to the declaration shall be recorded in every county in which any portion of the common interest community is located and is effective only when recorded.

(d) Except as expressly permitted or required by other provisions of this chapter, no amendment may (i) create or increase special declarant rights, (ii) increase the number of units, (iii) change the boundaries of any unit, (iv) change the allocated interests of a unit, (v) change common elements to limited common elements, (vi) change the authorized use of a unit from residential to nonresidential, or conversely, or (vii) change the characterization of the unit owners' interests in a cooperative from real estate to personal property, or conversely,

in the absence of unanimous written consent of the unit owners.

*History: 1993 c 222 art 2 s 18; 1994 c 388 art 4 s 8*

**515B.2-119 TERMINATION OF COMMON INTEREST COMMUNITY.**

(a) A common interest community may be terminated only by agreement of unit owners of units to which at least 80 percent of the votes in the association are allocated, and 80 percent of the first mortgagees of units (each mortgagee having one vote per unit financed), or any larger percentage the declaration specifies. The declaration may specify a smaller percentage only if all of the units are restricted to nonresidential use.

(b) An agreement to terminate shall be evidenced by a written agreement, executed in the same manner as a deed by the number of unit owners and first mortgagees of units required by subsection (a). The agreement shall specify a date after which the agreement shall be void unless recorded before that date. The agreement shall also specify a date by which the termination of the common interest community and the winding up of its affairs must be accomplished. A certificate of termination executed by the association evidencing the termination shall be recorded on or before the termination date, or the agreement to terminate shall be revoked. The agreement to terminate, or a memorandum thereof, and the certificate of termination shall be recorded in every county in which a portion of the common interest community is situated and is effective only upon recording.

(c) In the case of a condominium or planned community containing only units having upper and lower boundaries, a termination agreement may provide that all of the common elements and units of the common interest community must be sold following termination. If, pursuant to the agreement, any real estate in the common interest community is to be sold following termination, the termination agreement shall set forth the minimum terms of sale acceptable to the association.

(d) In the case of a condominium or planned community containing any units not having upper and lower boundaries, a termination agreement may provide for sale of the common elements, but it may not require that the units be sold following termination, unless the original declaration provided otherwise or all unit owners whose units are to be sold consent to the sale.

(e) The association, on behalf of the unit owners, shall have authority to contract for the sale of real estate in a common interest community pursuant to this section, subject to the required approval. The agreement to terminate shall be deemed to grant to the association a power of attorney coupled with an interest to effect the conveyance of the real estate on behalf of the holders of all interests in the units, including without limitation the power to execute all instruments of conveyance and related instruments. Until the sale has been com-

pleted, all instruments in connection with the sale have been executed and the sale proceeds distributed, the association shall continue in existence with all powers it had before termination.

(1) The instrument conveying or creating the interest in the common interest community shall include as exhibits (i) an affidavit of the secretary of the association certifying that the approval required by this section has been obtained and (ii) a schedule of the names of all unit owners in the common interest community as of the date of the approval.

(2) Proceeds of the sale shall be distributed to unit owners and secured parties as their interests may appear, in accordance with subsections (h), (i), (j), and (k).

(3) Unless otherwise specified in the agreement of termination, until the association has conveyed title to the real estate, each unit owner and the unit owner's successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted the unit. During the period of that occupancy, each unit owner and the unit owner's successors in interest remain liable for all assessments and other obligations imposed on unit owners by this chapter, the declaration or the bylaws.

(f) The legal description of the real estate constituting the common interest community shall, upon the date of recording of the certificate of termination referred to in subsection (b), be as follows:

(1) In a planned community, the lot and block description contained in the CIC plat, and any amendments thereto, subject to any subsequent conveyance or taking of a fee interest in any part of the property.

(2) In a condominium or cooperative, the underlying legal description of the real estate as set forth in the declaration creating the common interest community, and any amendments thereto, subject to any subsequent conveyance or taking of a fee interest in any part of the property.

(3) The legal description referred to in this subsection shall apply upon the recording of the certificate of termination. The recording officer for each county in which the common interest community is located shall index the property located in that county in its records under the legal description required by this subsection from and after the date of recording of the certificate of termination. In the case of registered property, the registrar of titles shall cancel the existing certificates of title with respect to the property and issue one or more certificates of title for the property utilizing the legal description required by this subsection.

(g) In a condominium or planned community, if the agreement to terminate provides that the real estate constituting the common interest community is not to be sold following termination, title to the common elements and, in a common interest community containing only units having upper and lower boundaries described in the declaration, title to all the real estate in the common interest community, vests in the unit owners upon termination as tenants in common in proportion to their respective interest as provided in subsection (k), and liens on the units shift accordingly. While the tenancy in common exists, each unit owner and the unit owner's successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted the unit.

(h) The proceeds of any sale of real estate pursuant to subsection (e), together with the assets of the association, shall be held by the association as trustee for unit owners, secured parties and other holders of liens on the units as their interests may appear. Before distributing any proceeds, the association shall have authority to deduct from the proceeds of sale due with respect to the unit (i) unpaid assessments levied by the association with respect to the unit, (ii) unpaid real estate taxes or special assessments due with respect to the unit, and (iii) the share of expenses of sale and winding up of the association's affairs with respect to the unit.

(i) Following termination of a condominium or planned community, creditors of the association holding liens on the units perfected before termination may enforce those liens in the same manner as any lien holder, in order of priority based upon their times of perfection. All other creditors of the association are to be treated as if they had perfected liens on the units immediately before termination.

(j) In a cooperative, the declaration may provide that all creditors of the association have priority over any interests of unit owners and creditors of unit owners. In that event, follow-

ing termination, creditors of the association holding liens on the cooperative which were perfected before termination may enforce their liens in the same manner as any lien holder, in order of priority based upon their times of perfection. All other creditors of the association shall be treated as if they had perfected a lien against the cooperative immediately before termination. Unless the declaration provides that all creditors of the association have that priority:

(1) the lien of each creditor of the association which was perfected against the association before termination becomes, upon termination, a lien against each unit owner's interest in the unit as of the date the lien was perfected;

(2) any other creditor of the association is to be treated upon termination as if the creditor had perfected a lien against each unit owner's interest immediately before termination;

(3) the amount of the lien of an association's creditor described in paragraphs (1) and (2) against each of the unit owners' interest shall be proportionate to the ratio which each unit's common expense liability bears to the common expense liability of all of the units;

(4) the lien of each creditor of each unit owner which was perfected before termination continues as a lien against that unit owner's interest in the unit as of the date the lien was perfected; and

(5) the assets of the association shall be distributed to all unit owners and all lien holders as their interests may appear in the order described in this section. Creditors of the association are not entitled to payment from any unit owner in excess of the amount of the creditor's lien against that unit owner's interest.

(k) The respective interest of unit owners referred to in subsections (e), (f), (g), (h) and (i) are as follows:

(1) Except as provided in paragraph (2), the respective interests of unit owners are the fair market values of their units, allocated interests, and any limited common elements immediately before the termination, as determined by one or more independent appraisers selected by the association. The decision of the independent appraisers must be distributed to the unit owners and becomes final unless disapproved within 30 days after distribution by unit owners of units to which 25 percent of the votes in the association are allocated. The proportion of any unit's interest to that of all units is determined by dividing the fair market value of that unit by the total fair market values of all the units.

(2) If any unit or any limited common element is destroyed to the extent that an appraisal of the fair market value thereof before destruction cannot be made, the interests of all unit owners are: (i) in a condominium, their respective common element interests immediately before the termination, (ii) in a cooperative, their respective ownership interests immediately before the termination, and (iii) in a planned community, their respective common expense liabilities immediately before the termination.

(1) In a condominium or planned community, except as provided in subsection (m), foreclosure or enforcement of a lien or encumbrance against the entire common interest community does not terminate, of itself, the common interest community, and foreclosure or enforcement of a lien or encumbrance against a portion of the common interest community does not withdraw that portion from the common interest community.

(m) In a condominium or planned community, if a lien or encumbrance against a portion of the real estate comprising the common interest community has priority over the declaration and the lien or encumbrance has not been partially released, the parties foreclosing the lien or encumbrance, upon foreclosure, may record an instrument excluding the real estate subject to that lien or encumbrance from the common interest community.

(n) Following the termination of a common interest community in accordance with this section, the board of directors of the association shall cause the association to be dissolved in accordance with law.

**History:** 1993 c 222 art 2 s 19; 1994 c 388 art 4 s 9

#### **515B.2-120 RIGHTS OF SECURED PARTIES.**

Notwithstanding any requirement in the declaration, the articles of incorporation or the bylaws that a percentage of secured parties approve specified actions of the unit owners or

the association as a condition to the effectiveness of those actions, no requirement for approval may operate to (i) deny or delegate control over the general administrative affairs of the association by the unit owners or the board of directors, or (ii) prevent the association or the board of directors from commencing, intervening in, or settling any litigation or proceeding, or (iii) prevent the association or its appointed insurance trustee from receiving and distributing any insurance proceeds except pursuant to section 515B.3-113.

*History: 1993 c 222 art 2 s 20*

#### **515B.2-121 MASTER ASSOCIATIONS.**

(a) A master association formed after June 1, 1994, shall be organized as a Minnesota profit, nonprofit, cooperative or municipal corporation. A master association shall be incorporated prior to the delegation to it of any powers under this chapter.

(b) The members of the master association shall be any combination of (i) unit owners of one or more common interest communities, (ii) one or more associations, (iii) one or more master associations, or (iv) owners or property owners associations not subject to this chapter in combination with any other category of member. An association or its members may be members of an entity created before June 1, 1994, which performs functions similar to those performed by a master association regardless of whether the entity is subject to this chapter.

(c) If so provided in the declaration, any of the powers described in section 515B.3-102 may be delegated to and exercised by a master association, and the master association shall have all powers referred to elsewhere in this chapter which may be necessary or incidental to the exercise of the delegated powers. However, a master association may exercise the powers set forth in section 515B.3-102(a)(2) only to the extent expressly permitted in the declarations of the common interest communities, and the declarations or bylaws of other master associations, which are intended to be subject to those powers and which are members of the master association, or whose members or associations are members of the master association.

(d) The powers may be delegated to a master association by the declaration, or by the board pursuant to authority granted in the declaration. If any delegation of powers may be made at the discretion of the board, the board of the master association shall have authority to determine whether the delegation of powers is authorized by, and consistent with the intent of, the declaration of the common interest community whose association's powers are being delegated and the organizational documents of the master association, and shall have authority to refuse any improper delegation of powers.

(e) If a board properly delegates powers to a master association, the members of the board have no liability for the acts or omissions of the master association with respect to the delegated powers following delegation, except those arising out of their actions as officers or directors of the master association.

(f) Sections 515B.3-103, 515B.3-108, 515B.3-109, 515B.3-110, and 515B.3-112 shall apply in the conduct of the affairs of a master association; provided, that the rights of voting, notice and other rights enumerated in those sections apply only to persons who elect the board of a master association, whether or not those persons are otherwise unit owners within the meaning of this chapter.

(g) The bylaws of the master association may provide for a control period during which the members of the master association board may be appointed by a person, identified in the master association's bylaws, other than the members of the master association. The control period may extend from the date of filing of the articles of incorporation of the master association, and shall terminate upon the earlier of (i) surrender of control by the person authorized to appoint the members of the master association board or (ii) 60 days after conveyance of 75 percent of the units contained in all common interest communities subject to the master association to unit owners other than a declarant or an affiliate of a declarant of those common interest communities, subject to the following:

(1) Not later than 60 days after conveyance of 50 percent of the units that may be created to unit owners other than a declarant or an affiliate of a declarant, a meeting of the members of the master association shall be held at which not less than 33-1/3 percent of the members of

the master association board shall be elected by persons entitled to elect said board other than a declarant or an affiliate of a declarant.

(2) Not later than the termination of the control period, those members of the master association entitled to elect the master association board shall elect a master association board of at least three members. Thereafter, a majority of the directors of the master association board shall be members of the master association other than a declarant or an affiliate of a declarant. The remaining directors need not be members of the master association, unless required by the articles of incorporation or bylaws of the master association. The master association board shall elect the officers of the master association. The directors and officers shall take office upon election.

(3) In determining whether the control period has terminated under subsection (h), or whether members other than a declarant or an affiliate of a declarant are entitled to elect members of the master board, the percentage of units which has been conveyed shall be calculated based upon the assumption that all units which a declarant or declarants have built or reserved the right to build in all common interest communities which may be subject to the master association are subjected to the master association.

(h) The declaration or bylaws of the master association, and the declaration of each common interest community whose association's powers are delegated to the association, shall provide that after the expiration of the control period referred to in subsection (g) the board of the master association shall be elected by the members of the master association. The system of election shall be fair and equitable, and shall take into account the number of members of each association any of whose powers are delegated to the master association, the needs of the members of the master association, the allocation of liability for master association common expenses and the types of common interest communities and other real estate subject to the master association.

(i) Master association common expenses shall be allocated among the members of the master association in a fair and equitable manner. Where applicable and appropriate, the formulas and principles described in section 515B.2-108 (b), (c), (d) and (e) should be utilized in making the allocations. The formulas and procedures governing the allocation and assessment of master association common expenses shall be set forth in the declaration or bylaws of the master association, and shall be consistent with the declarations of the common interest communities which may be subject to the master association.

(j) If a master association owns or controls real estate which is subject to use rights by members of the master association, an instrument describing the use rights, and the benefited land and parties, shall be recorded against the real estate.

(k) A master association shall not be used, directly or indirectly, to avoid or nullify any warranties or other obligations for which a declarant of a common interest community subject to the master association is responsible.

*History: 1993 c 222 art 2 s 21*

### **515B.2-122 MERGER OR CONSOLIDATION OF COMMON INTEREST COMMUNITIES.**

(a) Any two or more common interest communities of the same form of ownership, by agreement of the unit owners as provided in subsection (b), may be merged or consolidated into a single common interest community. The resultant common interest community shall be the legal successor, for all purposes, of all of the preexisting common interest communities, and the operations and activities of the preexisting common interest communities are merged or consolidated into a single common interest community that holds all powers, rights, obligations, assets, and liabilities of the preexisting common interest communities.

(b) An agreement of two or more common interest communities to merge or consolidate pursuant to subsection (a) shall be evidenced by an agreement executed by the president of the association of each of the preexisting common interest communities following approval by owners of units to which are allocated the votes in each common interest community required to terminate that common interest community.

(c) Every merger or consolidation agreement shall contain:

(1) the names of the resultant common interest community and its association;

(2) the number of the resultant common interest community, which shall be a new common interest community number assigned to the resultant common interest community by the recording officer;

(3) a requirement that the associations of the common interest communities shall be merged pursuant to the applicable statute;

(4) a reallocation of the allocated interests in the preexisting common interest communities among the units of the resultant common interest community by stating the reallocations and the formulas upon which they are based;

(5) a statement that the common interest communities have approved and will, within 90 days after the execution of the merger agreement, record a declaration as provided in subsection (d) or commence an appropriate proceeding to accomplish the recording if necessary.

(d) A declaration, including a new or amended CIC plat, complying with this chapter and governing the resultant common interest community shall be recorded in every county in which a portion of each preexisting common interest community is located, and the merger or consolidation is not effective until the declaration is recorded. In addition to other matters required by this chapter, the declaration shall contain:

(1) a reference to the names and numbers of the preexisting common interest communities, and the names of their associations;

(2) a statement that the preexisting common interest communities and their associations have been merged or consolidated pursuant to this chapter and the applicable corporate statute, and

(3) a statement that the declaration supersedes the declarations of the preexisting common interest communities and governs the resultant common interest community.

(e) The declaration and CIC plat for the resultant common interest community may be recorded without the necessity of paying the current or delinquent real estate taxes on any of the units.

**History:** 1993 c 222 art 2 s 22

### 515B.2-123 CHANGE OF FORM OF COMMON INTEREST COMMUNITY.

(a) The legal form of a condominium, planned community or cooperative subject to this chapter may be changed to a condominium or planned community, subject to any requirements contained in the declaration or bylaws of the common interest community, and the following requirements:

(1) Subject to paragraphs (2) and (3), the change of form shall be approved in writing by the unit owners of units to which at least 80 percent of the votes in the association are allocated, and 80 percent of the first mortgagees of record of the units (each mortgagee having one vote per unit financed). The declaration or bylaws may specify a smaller percentage only if all of the units are restricted to nonresidential use. The approval shall include the approval of a declaration and bylaws satisfying the requirements of this chapter with respect to the new common interest community.

(2) If the period of declarant control has not expired, the change of form shall also be approved in writing by the declarant.

(3) If the existing common interest community is a cooperative, the change of form shall also be approved in writing by (i) each holder of a blanket mortgage of record and (ii) 80 percent of the secured parties holding interests in share loans encumbering the cooperative units or memberships (each secured party having one vote per share loan owned).

(b) Upon approval as provided in subsection (a), the association in the existing common interest community shall have authority to execute the declaration of the new common interest community on behalf of the unit owners of, and all other persons holding an interest in, the units or other property which is a part of the existing common interest community, and to do all other acts necessary to create the new common interest community.

(c) Upon approval as provided in subsection (a), the association in the existing common interest community shall have a power of attorney coupled with an interest to effect the conveyance of the units or any other real estate owned by the unit owners or the association, which is a part of the existing common interest community, on behalf of the unit owners and



all other holders of interests in the common interest community, including without limitation the power to execute all instruments of conveyance and related instruments.

(d) In a change of legal form under this section, the offer, conveyance or exchange of a unit in the new common interest community to or with the person owning the unit in the existing common interest community shall not be subject to article 4 of this chapter.

(e) A change of legal form under this section shall not affect any preexisting obligations or liabilities of a declarant under any statute, or under the disclosure statement, declaration or bylaws of the existing common interest community. The declarant of the existing common interest community shall continue to have the rights and obligations of a declarant with respect to the offer and sale of units owned by it or its affiliates in the new common interest community.

**History:** 1993 c 222 art 2 s 23

### ARTICLE 3 ORGANIZATION AND OPERATION

#### 515B.3-101 ORGANIZATION OF UNIT OWNERS' ASSOCIATION.

A common interest community shall be administered by a unit owners' association. The unit owners' association shall be incorporated no later than the date the common interest community is created. The membership of the association at all times consists exclusively of all unit owners or, following termination of the common interest community, of all former unit owners entitled to distributions of proceeds under section 515B.2-119 or their heirs, successors, or assigns. The association shall be organized as a Minnesota profit or nonprofit corporation, or may, in the case of a cooperative, be organized under chapter 308A. In the event of a conflict between this chapter and any other chapter under which the association is incorporated, this chapter shall control.

**History:** 1993 c 222 art 3 s 1

#### 515B.3-102 POWERS OF UNIT OWNERS' ASSOCIATION.

(a) Except as provided in subsection (b), and subject to the provisions of the declaration or bylaws, the association shall have the power to:

(1) adopt, amend and revoke rules and regulations not inconsistent with the articles of incorporation, bylaws and declaration, as follows: (i) regulating the use of the common elements; (ii) regulating the use of the units, and conduct of unit occupants, which may jeopardize the health, safety or welfare of other occupants, which involves noise or other disturbing activity, or which may damage the common elements or other units; (iii) regulating or prohibiting animals; (iv) regulating changes in the appearance of the common elements and conduct which may damage the common interest community; (v) regulating the exterior appearance of the common interest community, including, for example, balconies and patios, window treatments, and signs and other displays, regardless of whether inside a unit; (vi) implementing the articles of incorporation, declaration and bylaws, and exercising the powers granted by this section; and (vii) otherwise facilitating the operation of the common interest community;

(2) adopt and amend budgets for revenues, expenditures and reserves, and levy and collect assessments for common expenses from unit owners;

(3) hire and discharge managing agents and other employees, agents, and independent contractors;

(4) institute, defend, or intervene in litigation or administrative proceedings (i) in its own name on behalf of itself or two or more unit owners on matters affecting the common elements or other matters affecting the common interest community or, (ii) with the consent of the owners of the affected units on matters affecting only those units;

(5) make contracts and incur liabilities;

(6) regulate the use, maintenance, repair, replacement and modification of the common elements and the units;

(7) cause improvements to be made as a part of the common elements, and, in the case of a cooperative, the units;

(8) acquire, hold, encumber, and convey in its own name any right, title, or interest to real estate or personal property, but (i) common elements in a condominium or planned community may be conveyed or subjected to a security interest only pursuant to section 515B.3-112, or (ii) part of a cooperative may be conveyed, or all or part of a cooperative may be subjected to a security interest, only pursuant to section 515B.3-112;

(9) grant public utility easements through, over or under the common elements, and, subject to approval by resolution of unit owners other than declarant or its affiliates at a meeting duly called, grant other public or private easements, leases and licenses through, over or under the common elements;

(10) impose and receive any payments, fees, or charges for the use, rental, or operation of the common elements, other than limited common elements, and for services provided to unit owners;

(11) impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the declaration, bylaws, and rules and regulations of the association;

(12) impose reasonable charges for the review, preparation and recordation of amendments to the declaration, resale certificates required by section 515B.4-107, statements of unpaid assessments, or furnishing copies of association records;

(13) provide for the indemnification of its officers and directors, and maintain directors' and officers' liability insurance;

(14) provide for reasonable procedures governing the conduct of meetings and election of directors;

(15) exercise any other powers conferred by law, or by the declaration, articles of incorporation or bylaws; and

(16) exercise any other powers necessary and proper for the governance and operation of the association.

(b) Notwithstanding subsection (a) the declaration or bylaws may not impose limitations on the power of the association to deal with the declarant which are more restrictive than the limitations imposed on the power of the association to deal with other persons.

**History:** 1993 c 222 art 3 s 2

### **515B.3-103 DUTY OF BOARD, OFFICERS DURING, AFTER DECLARANT CONTROL.**

(a) An association shall be governed by a board of directors. Except as expressly prohibited by the declaration, the articles of incorporation, bylaws, subsection (b), or other provisions of this chapter, the board may act in all instances on behalf of the association. In the performance of their duties, the officers and directors are required to exercise (i) if appointed by the declarant, the care required of fiduciaries of the unit owners and (ii) if elected by the unit owners, the care required of a director by section 302A.251 or 317A.251, as applicable.

(b) The board may not act unilaterally to amend the declaration, to terminate the common interest community, to elect directors to the board, or to determine the qualifications, powers and duties, or terms of office of directors, but the board may fill vacancies in its membership created other than by removal by the vote of the association members for the unexpired portion of any term.

(c) Subject to subsection (d), the declaration may provide for a period of declarant control of the association, during which a declarant, or persons designated by the declarant, may appoint and remove the officers and directors of the association. The maximum period of declarant control may extend from the date of the first conveyance of a unit to a unit owner other than a declarant for a period not exceeding five years in the case of a flexible common interest community or three years in the case of any other common interest community. Regardless of any longer period provided in the declaration or elsewhere, a period of declarant control shall terminate upon the earlier of (i) surrender of control by the declarant or (ii) 60 days after conveyance of 75 percent of the units to unit owners other than a declarant.

(d) Not later than 60 days after conveyance of 50 percent of the units that may be created to unit owners other than a declarant or an affiliate of a declarant, a meeting of the unit owners shall be held at which not less than 33-1/3 percent of the members of the board shall be elected by unit owners other than a declarant or an affiliate of a declarant.

(e) Not later than the termination of any period of declarant control the unit owners shall elect a board of at least three members. Thereafter, a majority of the directors shall be unit owners other than a declarant or an affiliate of a declarant. The remaining directors need not be unit owners unless required by the articles of incorporation, bylaws or declaration. All unit owners, including the declarant and its affiliates, may cast the votes allocated to any units owned by them. The board shall elect the officers. The directors and officers shall take office upon election.

(f) In determining whether the period of declarant control has terminated under subsection (c), or whether unit owners other than a declarant are entitled to elect members of the board of directors under subsection (d), the percentage of the units which has been conveyed shall be calculated based upon the assumption that all units which the declarant has built or reserved the right to build in the declaration are included in the common interest community.

(g) Except as otherwise provided in this subsection, meetings of the board of directors must be open to the unit owners. To the extent practicable, the board shall give reasonable notice to the unit owners of the date, time, and place of a board meeting. If the date, time, and place of meetings are provided for in the declaration, articles, or bylaws, announced at a previous meeting of the board, posted in a location accessible to the unit owners and designated by the board from time to time, or if an emergency requires immediate consideration of a matter by the board, notice is not required. "Notice" has the meaning given in section 317A.011, subdivision 14. Meetings may be closed to discuss the following:

(1) personnel matters;

(2) pending or potential litigation, arbitration or other potentially adversarial proceedings, between unit owners, between the board or association and unit owners, or other matters in which any unit owner may have an adversarial interest, if the board determines that closing the meeting is necessary to discuss strategy or to otherwise protect the position of the board or association or the privacy of a unit owner or occupant of a unit; or

(3) criminal activity arising within the common interest community if the board determines that closing the meeting is necessary to protect the privacy of the victim or that opening the meeting would jeopardize investigation of the activity.

Nothing in this subsection imposes a duty on the board to provide special facilities for meetings. The failure to give notice as required by this subsection shall not invalidate the board meeting or any action taken at the meeting.

*History: 1993 c 222 art 3 s 3*

#### **515B.3-104 TRANSFER OF SPECIAL DECLARANT RIGHTS.**

(a) A special declarant right created or reserved under this chapter may be voluntarily transferred only by a separate instrument evidencing the transfer recorded in every county in which any part of the common interest community is located. The separate instrument shall be recorded against all units in the common interest community, or in the case of a cooperative, against the real estate owned by the cooperative. The instrument may provide for the conveyance of less than all of the special declarant rights, and is not effective unless executed by the transferor and transferee. A deed in lieu of foreclosure, or other conveyance arising out of a foreclosure or cancellation, shall not be deemed a voluntary transfer within the meaning of this section.

(b) Upon the voluntary transfer of any special declarant right, the liability of a transferor declarant is as follows:

(1) A transferor is not relieved of any obligation or liability arising before the transfer and remains liable for warranty obligations imposed on the transferor by this chapter. Lack of privity does not deprive any unit owner of standing to maintain an action to enforce any obligation of the transferor.

(2) If a successor to any special declarant right is an affiliate of a declarant, the transferor is jointly and severally liable with the successor for any obligations or liabilities of the successor relating to the common interest community.

(3) If a transferor retains any special declarant rights, but transfers other special declarant rights to a successor who is not an affiliate of the declarant, the transferor is liable for any obligations or liabilities imposed on a declarant by this chapter or by the declaration relating to the retained special declarant rights and arising before or after the transfer.

(4) A transferor has no liability for any act or omission or any breach of a contractual or warranty obligation arising from the exercise of a special declarant right by a successor declarant who is not an affiliate of the transferor.

(c) Upon the voluntary transfer of any special declarant right, the liability of a successor declarant is as follows:

(1) A successor to any special declarant right who is an affiliate of a declarant is subject to all obligations and liabilities imposed on the transferor by this chapter or by the declaration.

(2) A successor to any special declarant right who is not an affiliate of a declarant is subject to all obligations and liabilities imposed by this chapter or the declaration, except: (i) misrepresentations by any previous declarant; (ii) warranty obligations on improvements made by any previous declarant, or made before the common interest community was created; (iii) breach of any fiduciary obligation by any previous declarant or the declarant's appointees to the board; (iv) any liability or obligation imposed on the transferor as a result of the transferor's acts or omissions after the transfer; and (v) any liability arising out of a special declarant right which was not transferred as provided in subsection (a).

(d) In case of foreclosure of a mortgage or cancellation of a contract for deed or other security interest (or conveyance in lieu thereof), sale by a trustee under an agreement creating a security interest, tax sale, judicial sale, or sale under bankruptcy code or receivership proceedings, of any units or additional real estate, or interest therein, owned by a declarant, a person acquiring title to the property or interests succeeds to all special declarant rights related to the property or interests held by that declarant and acquired by it unless (i) the mortgage instrument or other instrument creating the security interest, (ii) the instrument conveying title or (iii) a separate instrument signed by the person and recorded within 60 days after the person acquires title to the property or interests, provides for transfer of less than all special declarant rights. The separate instrument need be recorded only against the title to the units or interests other than those being acquired under this subsection, or in the case of a cooperative, against the real estate owned by the cooperative. The declarant shall cease to have or exercise any special declarant rights which are transferred. If the person has limited the transfer of certain special declarant rights as provided in this subsection, then it and its successor's liability shall be limited, as follows:

(1) If the person or its successor limits its rights and liabilities only to maintain models, sales office and signs, and if that party is not an affiliate of a declarant, it is not subject to any liability or obligations as a declarant, except the obligation to provide a disclosure statement and any liability arising from that obligation, and it may not exercise any other special declarant rights.

(2) If the person or its successor is not an affiliate of a declarant, it may declare its intention in a recorded instrument as provided in subsection (a) to acquire all special declarant rights and hold those rights solely for transfer to another person. Thereafter, until the special declarant rights are transferred to a person acquiring title to any unit owned by the successor, or until a separate instrument is recorded permitting exercise of all of those rights, that successor may not exercise any of those rights other than the right to control the board of directors in accordance with the provisions of section 515B.3-103 for the duration of any period of declarant control. So long as any successor may not exercise its special declarant rights under this subsection, it is not subject to any liability or obligation as a declarant other than liability for its acts and omissions under section 515B.3-103.

(e) Any attempted exercise by a purported successor to a special declarant right which is not transferred as provided in this section is void, and any purported successor attempting to exercise that right shall be liable for any damages arising out of its actions.

(f) Nothing in this section shall subject any successor to a special declarant right to any claims against or other obligations of a transferor declarant, other than claims and obligations arising under this chapter, or the declaration or bylaws.

**History:** 1993 c 222 art 3 s 4

### **515B.3-105 TERMINATION OF DECLARANT'S CONTRACTS, LEASES.**

If entered into prior to expiration of the period of declarant control pursuant to section 515B.3-103, (i) any management contract, employment contract, or lease of recreational facilities, units, garages or other parking facilities, (ii) any contract, lease or license binding the association to which a declarant or an affiliate of a declarant is a party, or (iii) any contract, lease or license binding the association or any unit owner other than the declarant or an affiliate of the declarant which is not bona fide or which was unconscionable to the unit owners at the time entered into under the circumstances then prevailing, may be terminated without penalty by the association at any time after the expiration of declarant control upon not less than 90 days' notice to the other party. This section does not apply to (i) any lease the termination of which would terminate the common interest community or (ii) a proprietary lease.

**History:** 1993 c 222 art 3 s 5

### **515B.3-106 BYLAWS; ANNUAL REPORT.**

(a) A common interest community shall have bylaws which comply with this chapter and the requirements of the statute under which the association is incorporated. The bylaws and any amendments may be recorded, but need not be recorded to be effective unless so provided in the bylaws.

(b) The bylaws shall provide that, in addition to any statutory requirements:

(1) A meeting of the members shall be held at least once each year, and a specified officer of the association shall give notice of the meeting as provided in section 515B.3-108.

(2) An annual report shall be prepared by the association and a copy of the report shall be provided to each unit owner at or prior to the annual meeting.

(c) The annual report shall contain at a minimum:

(1) a statement of any capital expenditures in excess of two percent of the current budget or \$5,000, whichever is greater, approved by the association for the current fiscal year or succeeding two fiscal years;

(2) a statement of the balance in any reserve or replacement fund;

(3) a copy of the statement of revenues and expenses for the association's last fiscal year, and a balance sheet as of the end of said fiscal year;

(4) a statement of the status of any pending litigation or judgments to which the association is a party;

(5) a statement of the insurance coverage provided by the association; and

(6) a statement of the total past due assessments on all units, current as of not more than 60 days prior to the date of the meeting.

**History:** 1993 c 222 art 3 s 6

### **515B.3-107 UPKEEP OF COMMON INTEREST COMMUNITY.**

(a) Except to the extent provided by the declaration, this subsection or section 515B.3-113, the association is responsible for the maintenance, repair and replacement of the common elements, and each unit owner is responsible for the maintenance, repair and replacement of the unit owner's unit. Damage to the common elements or any unit as a result of the acts or omissions of a unit owner or the association is the responsibility of the person causing the damage, or whose agents or invitees caused the damage.

(b) The association shall have access through and into each unit for purposes of performing maintenance, repair or replacement for which the association may be responsible. The association and any public safety personnel shall also have access for purposes of abating or correcting any condition in the unit which violates any governmental law, ordinance or regulation, which may cause material damage to or jeopardize the safety of the common interest community, or which may constitute a health or safety hazard for occupants of units.

(c) Neither the association, nor any unit owner other than the declarant or its affiliates, is subject to a claim for payment of expenses incurred in connection with any additional real estate.

**History:** 1993 c 222 art 3 s 7

#### **515B.3-108 MEETINGS.**

(a) A meeting of the association shall be held at least once each year. At each annual meeting, there shall be, at a minimum, (i) an election of successor directors for those directors whose terms have expired, (ii) a report on the activities and financial condition of the association and (iii) consideration of and action on any other matters included in the notice of meeting. Unless the bylaws provide otherwise, special meetings of the association may be called by the president and shall be called by the president or secretary upon the written petition of a majority of the board or unit owners entitled to cast at least 20 percent of the votes in the association.

(b) Not less than 21 nor more than 30 days in advance of any annual meeting, and not less than seven nor more than 30 days in advance of any special meeting, the secretary or other officer specified in the bylaws shall cause notice to be hand delivered or sent postage prepaid by United States mail to the mailing address of each unit, or to any other address designated in writing by the unit owner to the association as provided in the bylaws or by statute.

(c) The notice of any meeting shall state the date, time and place of the meeting, the purposes of the meeting, and, if proxies are permitted, the procedures for appointing proxies.

(d) The board may provide for reasonable procedures governing the conduct of meetings and elections.

**History:** 1993 c 222 art 3 s 8

#### **515B.3-109 QUORUMS.**

(a) Unless the bylaws provide otherwise, a quorum is present throughout any meeting of the association if unit owners entitled to cast in excess of 20 percent of the votes in the association are present in person or by proxy at the beginning of the meeting.

(b) Unless the bylaws provide otherwise, a quorum is present throughout any meeting of the board if persons entitled to cast in excess of 50 percent of the votes on that board are present in person at the beginning of the meeting.

**History:** 1993 c 222 art 3 s 9

#### **515B.3-110 VOTING; PROXIES.**

(a) At any meeting of the association an owner or the holder of the owner's proxy shall be entitled to cast the vote which is allocated to the unit. If there is more than one owner of a unit, only one of the owners may cast the vote. If the owners of a unit fail to agree as to who shall cast the vote, the vote shall not be cast.

(b) If permitted by the articles or bylaws, votes allocated to a unit may be cast pursuant to a proxy executed by the unit owner entitled to cast the vote for that unit. The board may specify the form of proxy and proxy rules, consistent with law.

(c) The entire vote on any single issue (except the election of directors), may be by mailed ballots, subject to (i) any prohibition or requirement contained in the articles of incorporation, bylaws, or declaration and (ii) any requirements of the statute under which the association is created. Such a vote shall have the force and effect of a vote taken at a meeting; provided, that the total votes cast are at least equal to the votes required for a quorum. The board shall set a voting period within which the ballots must be returned, which period shall be not less than ten nor more than 30 days after the date of mailing or hand delivery of the ballots to the owners. The board of directors shall provide written notice of the results of the vote to the members within 30 days after the expiration of the voting period. All requirements in this chapter, the declaration or the bylaws for a meeting of the members, or being present in person, shall be deemed satisfied by a vote taken by mail in compliance with the requirements of this section.

(d) The declaration or bylaws may provide that votes on specified matters affecting the common interest community be cast by lessees or secured parties rather than unit owners;

provided that (i) the provisions of subsections (a), (b), and (c) apply to those persons as if they were unit owners; (ii) unit owners who have so delegated their votes to other persons may not cast votes on those specified matters; (iii) lessees or secured parties are entitled to notice of meetings, access to records, and other rights respecting those matters as if they were unit owners, and (iv) the lessee or secured party has filed satisfactory evidence of its interest with the secretary of the association prior to the meeting. Unit owners must also be given notice, in the manner provided in section 515B.3-108(b), of meetings at which lessees or secured parties are entitled to vote.

(e) No votes allocated to a unit owned by the association may be cast nor counted toward a quorum.

*History: 1993 c 222 art 3 s 10*

#### **515B.3-111 TORT AND CONTRACT LIABILITY.**

(a) Neither the association nor any unit owner except the declarant is liable for that declarant's torts in connection with any part of the common interest community. An action alleging a tort or contract violation by the association shall not be brought against a unit owner solely by reason of ownership. If the tort or contract violation occurred during any period of declarant control and the association or a unit owner gives the declarant reasonable notice of and an opportunity to defend against the action, the declarant who then controlled the association is liable to the association or to any unit owner for (i) all losses not covered by insurance suffered by the association or that unit owner, and (ii) all costs that the association would not have incurred but for the tort or contract violation.

(b) Whenever the declarant is liable to the association or a unit owner under this section, the declarant is also liable for all expenses of litigation, including reasonable attorney's fees, incurred by the association or unit owner. Any statute of limitation affecting a right of action under this section is tolled until the period of declarant control terminates. A unit owner is not precluded from maintaining an action contemplated by this section because of being a unit owner or an officer or director of the association.

(c) Except as provided in subsections (a) and (b) with respect to a declarant, no unit owner shall have tort liability arising out of ownership of the common elements if the association has liability insurance coverage on the occurrence in an amount not less than \$1,000,000.

*History: 1993 c 222 art 3 s 11*

#### **515B.3-112 CONVEYANCE OR ENCUMBRANCE OF COMMON ELEMENTS.**

(a) In a condominium or planned community, unless the declaration provides otherwise, portions of the common elements may be conveyed or subjected to a security interest by the association if persons entitled to cast at least 67 percent of the votes in the association, including 67 percent of the votes allocated to units not owned by a declarant, or any larger percentage the declaration specifies, approve that action in writing or at a meeting; but all unit owners of units to which any limited common element is allocated must agree in order to convey that limited common element or subject it to a security interest. The declaration may specify a smaller percentage only if all of the units are restricted to nonresidential use.

(b) In a cooperative, unless the declaration provides otherwise, part of a cooperative may be conveyed, or all or a part subjected to a security interest, by the association if persons entitled to cast at least 67 percent of the votes in the association, including 67 percent of the votes allocated to units in which the declarant has no interest, or any larger percentage the declaration specifies, approves that action in writing or at a meeting. If fewer than all of the units or limited common elements are to be conveyed or subjected to a security interest, then all unit owners of those units, or the units to which those limited common elements are allocated, must agree in order to convey those units or limited common elements or subject them to a security interest. The declaration may specify a smaller percentage only if all of the units are restricted to nonresidential use. Any purported conveyance or other voluntary transfer of an entire cooperative is void, unless made pursuant to section 515B.2-119.

(c) The association, on behalf of the unit owners, may contract to convey or encumber an interest in the common elements of a common interest community pursuant to this subsection.

tion, subject to the required approval. After the approval has been obtained, the association shall have a power of attorney coupled with an interest to effect the conveyance or encumbrance on behalf of all unit owners in the common interest community, including the power to execute deeds, mortgages, or other instruments of conveyance or security. The instrument conveying or creating the interest in the common interest community shall be recorded and shall include as exhibits (i) an affidavit of the secretary of the association certifying that the approval required by this section has been obtained and (ii) a schedule of the names of all unit owners and units in the common interest community as of the date of the approval.

(d) Except as provided in section 515B.3-102(a)(9), unless made pursuant to this section, any purported conveyance, encumbrance, or other voluntary transfer of common elements, or of any part of a cooperative, is void.

(e) In the case of a conveyance involving a condominium, or a cooperative in which the unit owners' interests are characterized as real estate, the association shall record, simultaneously with the recording of the instrument of conveyance, an amended CIC plat showing the real estate constituting the common interest community exclusive of the real estate conveyed. In all common interest communities, upon recording of the instrument of conveyance, the declaration, and all rights and obligations arising therefrom, shall be deemed released and terminated as to the real estate conveyed.

(f) A conveyance or encumbrance of common elements, or of a cooperative, pursuant to this section shall not deprive any unit of its rights of support, reasonable access or utility services.

(g) Except as provided in subsection (a), or unless the declaration otherwise provides, a conveyance or encumbrance of common elements pursuant to this section does not affect the priority or validity of preexisting encumbrances.

(h) Any proceeds of the conveyance or creation of a security interest under this section are an asset of the association.

(i) This section shall not apply to any conveyance or encumbrance of any interest in a proprietary lease.

**History:** 1993 c 222 art 3 s 12; 1995 c 92 s 11

### 515B.3-113 INSURANCE.

(a) Commencing not later than the time of the first conveyance of a unit to a unit owner other than a declarant, the association shall maintain, to the extent reasonably available:

(1) subject to subsection (b), property insurance (i) on the common elements and, in a planned community, also on property that must become common elements, (ii) for broad form covered causes of loss, and (iii) in a total amount of not less than the full insurable replacement cost of the insured property, less deductibles, at the time the insurance is purchased and at each renewal date, exclusive of items normally excluded from property policies; and

(2) commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use or management of the property in an amount, if any, specified by the common interest community instruments or otherwise deemed sufficient in the judgment of the board, insuring the board, the association, the management agent, and their respective employees, agents and all persons acting as agents. The declarant shall be included as an additional insured in its capacity as a unit owner or board member. The unit owners shall be included as additional insureds but only for claims and liabilities arising in connection with the ownership, existence, use or management of the common elements. The insurance shall cover claims of one or more insured parties against other insured parties.

(b) In the case of a common interest community that contains units sharing or having contiguous walls, siding or roofs, the insurance maintained under subsection (a)(1) shall include the units and the common elements. The insurance need not cover improvements and betterments to the units installed by unit owners, but if improvements and betterments are covered, any increased cost may be assessed by the association against the units affected. The association may, in the case of a claim for damage to a unit or units, (i) pay the deductible amount as a common expense, (ii) assess the deductible amount against the units affected in



any reasonable manner, or (iii) require the unit owners of the units affected to pay the deductible amount directly.

(c) If the insurance described in subsections (a) and (b) is not reasonably available, the association shall promptly cause notice of that fact to be hand delivered or sent prepaid by United States mail to all unit owners. The declaration may require the association to carry any other insurance, and the association in any event may carry any other insurance it considers appropriate to protect the association, the unit owners or officers, directors or agents of the association.

(d) Insurance policies carried pursuant to subsections (a) and (b) shall provide that:

(1) each unit owner and secured party is an insured person under the policy with respect to liability arising out of the unit owner's interest in the common elements or membership in the association;

(2) the insurer waives its right to subrogation under the policy against any unit owner of the condominium or members of the unit owner's household and against the association and members of the board of directors;

(3) no act or omission by any unit owner or secured party, unless acting within the scope of authority on behalf of the association, shall void the policy or be a condition to recovery under the policy; and

(4) if at the time of a loss under the policy there is other insurance in the name of a unit owner covering the same property covered by the policy, the association's policy is primary insurance.

(e) Any loss covered by the property policy under subsection (a)(1) shall be adjusted by and with the association. The insurance proceeds for that loss shall be payable to the association, or to an insurance trustee designated by the association for that purpose. The insurance trustee or the association shall hold any insurance proceeds in trust for unit owners and secured parties as their interests may appear. The proceeds shall be disbursed first for the repair or restoration of the damaged common elements and units. Unit owners and secured parties are not entitled to receive any portion of the proceeds unless there is a surplus of proceeds after the common elements and units have been completely repaired or restored or the common interest community is terminated.

(f) Unit owners may obtain insurance for personal benefit in addition to insurance carried by the association.

(g) An insurer that has issued an insurance policy under this section shall issue certificates or memoranda of insurance, upon request, to any unit owner or secured party. The insurance may not be canceled until 60 days after notice of the proposed cancellation has been mailed to the association, each unit owner and each secured party for an obligation to whom certificates of insurance have been issued.

(h) Any portion of the common interest community which is damaged or destroyed as the result of a loss covered by the association's insurance shall be promptly repaired or replaced by the association unless (i) the common interest community is terminated and the association votes not to repair or replace all or part thereof, (ii) repair or replacement would be illegal under any state or local health or safety statute or ordinance, or (iii) 80 percent of the unit owners, including every owner and holder of a first mortgage on a unit or assigned limited common element which will not be rebuilt, vote not to rebuild. The cost of repair or replacement of the common elements in excess of insurance proceeds and reserves shall be paid as a common expense, and the cost of repair of a unit in excess of insurance proceeds shall be paid by the respective unit owner.

(i) If less than the entire common interest community is repaired or replaced, (i) the insurance proceeds attributable to the damaged common elements shall be used to restore the damaged area to a condition compatible with the remainder of the common interest community, (ii) the insurance proceeds attributable to units and limited common elements which are not rebuilt shall be distributed to the owners of those units, including units to which the limited common elements were assigned, and the secured parties of those units, as their interests may appear, and (iii) the remainder of the proceeds shall be distributed to all the unit owners and secured parties as their interests may appear in proportion to their common element in-

terest in the case of a condominium or in proportion to their common expense liability in the case of a planned community or cooperative.

(j) If the unit owners and holders of first mortgages vote not to rebuild a unit, that unit's entire common element interest, votes in the association, and common expense liability are automatically reallocated upon the vote as if the unit had been condemned under section 515B.1-107, and the association shall promptly prepare, execute and record an amendment to the declaration reflecting the reallocations. Notwithstanding the provisions of this subsection, if the common interest community is terminated, insurance proceeds not used for repair or replacement shall be distributed in the same manner as sales proceeds pursuant to section 515B.2-119.

(k) The provisions of this section may be varied or waived in the case of a common interest community in which all units are restricted to nonresidential use.

*History: 1993 c 222 art 3 s 13; 1994 c 388 art 4 s 10; 1995 c 258 s 65*

### **515B.3-114 RESERVES; SURPLUS FUNDS.**

The annual budgets of the association shall provide from year to year, on a cumulative basis, for adequate reserve funds to cover the replacement of those parts of the common elements and limited common elements which the association is obligated to maintain, repair, or replace. Unless the declaration provides otherwise, any surplus funds that the association has remaining after payment of or provision for common expenses and reserves shall be (i) credited to the unit owners to reduce their future common expense assessments or (ii) credited to reserves, or any combination thereof, as determined by the board of directors.

*History: 1993 c 222 art 3 s 14*

### **515B.3-115 ASSESSMENTS FOR COMMON EXPENSES.**

(a) If a common expense assessment has not been levied, the declarant shall pay all accrued expenses of the common interest community. If a common expense assessment has been levied, all unit owners including the declarant shall pay the assessments allocated to their units, except as otherwise permitted by this section. Subject to the requirements of this section, a declarant may institute one, but not both, of the alternative assessment programs described in subsections (a)(1) and (a)(2), whereby:

(1) if a common expense assessment has been levied, the purchaser shall pay when due only the common expenses up to a specified limit guaranteed by the declarant, and the declarant shall pay all common expenses in excess of the limit; or

(2) if a common expense assessment has been levied in a planned community, the declarant may limit its liability for assessments on units owned by it to 25 percent or any greater percentage of any assessment levied until such time as a certificate of occupancy is issued by the municipality in which the common interest community is located for the unit or units owned by the declarant.

(b) The alternative assessment programs described in subsection (a)(1) or (2), shall be permitted only by including in the declaration, and the disclosure statement required by section 515B.4-102, provisions authorizing declarant to establish an alternative assessment program and a detailed explanation of the program, including at a minimum, as applicable, (i) the maximum amount of any guaranty on a monthly and aggregate basis with respect to each type of unit, (ii) the minimum and maximum duration of the alternative assessment program, (iii) the time when the declarant's authority to commence the alternative assessment program expires, which shall be no later than the expiration of any period of declarant control, and (iv) a statement that the alternative assessment program will have no effect on the level of services for items set forth in the association's budget, or a statement that no assurances are made in those regards.

(c) Notwithstanding any disclosure in the declaration or disclosure statement, the declarant shall give the unit owners at least 60 days prior notice of the termination of the alternative assessment program, subject to any minimum duration described in the declaration and disclosure statement.

(d) Any alternative assessment program instituted by declarant shall not affect declarant's obligation to fund the reserves disclosed in the association's budget included in the disclosure statement or otherwise approved by the association.

(e) Any representations or agreements made by a declarant with respect to an alternative assessment program shall be enforceable against declarant by any unit owner or by the association.

(f) After an assessment has been levied by the association, assessments shall be levied at least annually, based upon a budget approved at least annually by the association.

(g) Except as modified by subsections (a)(1) and (2), (h), (i) and (j), all common expenses shall be assessed against all the units in accordance with the allocations established by the declaration pursuant to section 515B.2-108.

(h) Unless otherwise required by the declaration:

(1) any common expense associated with the maintenance, repair, or replacement of a limited common element shall be assessed against the units to which that limited common element is assigned, equally, or in any other proportion the declaration provides;

(2) any common expense or portion thereof benefiting fewer than all of the units may be assessed exclusively against the units benefited, equally, or in any other proportion the declaration provides;

(3) the costs of insurance may be assessed in proportion to risk or coverage, and the costs of utilities may be assessed in proportion to usage;

(4) reasonable attorneys fees incurred by the association in connection with (i) the collection of assessments and, (ii) the enforcement of this chapter, the articles, bylaws, declaration, or rules and regulations, against a unit owner, may be assessed against the unit owner's unit; and

(5) fees, charges, late charges, fines and interest may be assessed as provided in section 515B.3-116(a).

(i) Assessments levied under section 515B.3-116 to pay a judgment against the association may be levied only against the units in the common interest community at the time the judgment was entered, in proportion to their common expense liabilities.

(j) If any damage to the common elements or another unit is caused by the act or omission of any unit owner, or occupant of a unit, or their invitees, the association may assess the costs of repairing the damage exclusively against the unit owner's unit to the extent not covered by insurance.

(k) Subject to any shorter period specified by the declaration or bylaws, if any installment of an assessment becomes more than 60 days past due, then the association may, upon ten days written notice to the unit owner, declare the entire amount of the assessment immediately due and payable in full.

(l) If common expense liabilities are reallocated for any purpose authorized by this chapter, common expense assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated common expense liabilities.

*History: 1993 c 222 art 3 s 15; 1995 c 92 s 12*

### **515B.3-116 LIEN FOR ASSESSMENTS.**

(a) The association has a lien on a unit for any assessment levied against that unit from the time the assessment becomes due. If an assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment thereof becomes due. Unless the declaration otherwise provides, fees, charges, late charges, fines and interest charges pursuant to section 515B.3-102(a)(10), (11) and (12) are liens, and are enforceable as assessments, under this section.

(b) A lien under this section is prior to all other liens and encumbrances on a unit except (i) liens and encumbrances recorded before the declaration and, in a cooperative, liens and encumbrances which the association creates, assumes, or takes subject to, (ii) any first mortgage on the unit, or, in a cooperative, any first security interest encumbering only the unit owner's interest in the unit, and (iii) liens for real estate taxes and other governmental assessments or charges against the unit. If a first mortgage on a unit is foreclosed, the first mortgage was recorded after June 1, 1994, and no owner redeems during the owner's period of redemption provided by chapter 580, 581, or 582, the holder of the sheriff's certificate of sale from the foreclosure of the first mortgage shall take title to the unit subject to unpaid assessments

for common expenses levied pursuant to section 515B.3-115(a), (h)(1) to (3), (i), and (l) which became due, without acceleration, during the six months immediately preceding the first day following the end of the owner's period of redemption. If a first security interest encumbering a unit owner's interest in a cooperative unit which is personal property is foreclosed, the secured party or the purchaser at the sale shall take title to the unit subject to unpaid assessments for common expenses levied pursuant to section 515B.3-115(a), (h)(1) to (3), (i), and (l) which became due, without acceleration, during the six months immediately preceding the first day following either the date of sale pursuant to section 336.9-504 or the date on which the obligation of the unit owner is discharged pursuant to section 336.9-505. This subsection shall not affect the priority of mechanics' liens.

(c) Recording of the declaration constitutes record notice and perfection of any lien under this section, and no further recordation of any notice of or claim for the lien is required.

(d) Proceedings to enforce an assessment lien shall be instituted within three years after the last installment of the assessment becomes payable, or shall be barred.

(e) The unit owner of a unit at the time an assessment is due shall be personally liable to the association for payment of the assessment levied against the unit. If there are multiple owners of the unit, they shall be jointly and severally liable.

(f) This section does not prohibit actions to recover sums for which subsection (a) creates a lien nor prohibit an association from taking a deed in lieu of foreclosure.

(g) The association shall furnish to a unit owner or the owner's authorized agent upon written request of the unit owner or the authorized agent a statement setting forth the amount of unpaid assessments currently levied against the owner's unit. If the unit owner's interest is real estate, the statement shall be in recordable form. The statement shall be furnished within ten business days after receipt of the request and is binding on the association and every unit owner.

(h) The association's lien may be foreclosed as provided in this subsection.

(1) In a condominium or planned community, the association's lien may be foreclosed in a like manner as a mortgage containing a power of sale pursuant to chapter 580, or by action pursuant to chapter 581. The association shall have a power of sale to foreclose the lien pursuant to chapter 580.

(2) In a cooperative whose unit owners' interests are real estate, the association's lien shall be foreclosed in a like manner as a mortgage on real estate as provided in paragraph (1).

(3) In a cooperative whose unit owners' interests in the units are personal property, the association's lien shall be foreclosed in a like manner as a security interest under article 9 of chapter 336. In any disposition pursuant to section 336.9-504 or retention pursuant to section 336.9-505, the rights of the parties shall be the same as those provided by law, except (i) notice of sale, disposition, or retention shall be served on the unit owner 90 days prior to sale, disposition, or retention, (ii) the association shall be entitled to its reasonable costs and attorney fees not exceeding the amount provided by section 582.01, subdivision 1a, (iii) the amount of the association's lien shall be deemed to be adequate consideration for the unit subject to disposition or retention, notwithstanding the value of the unit, and (iv) the notice of sale, disposition, or retention shall contain the following statement in capital letters with the name of the association or secured party filled in:

"THIS IS TO INFORM YOU THAT BY THIS NOTICE (fill in name of association or secured party) HAS BEGUN PROCEEDINGS UNDER MINNESOTA STATUTES, CHAPTER 515B, TO FORECLOSE ON YOUR INTEREST IN YOUR UNIT FOR THE REASON SPECIFIED IN THIS NOTICE. YOUR INTEREST IN YOUR UNIT WILL TERMINATE 90 DAYS AFTER SERVICE OF THIS NOTICE ON YOU UNLESS BEFORE THEN:

(a) THE PERSON AUTHORIZED BY (fill in the name of association or secured party) AND DESCRIBED IN THIS NOTICE TO RECEIVE PAYMENTS RECEIVES FROM YOU:

(1) THE AMOUNT THIS NOTICE SAYS YOU OWE; PLUS

(2) THE COSTS INCURRED TO SERVE THIS NOTICE ON YOU; PLUS

(3) \$500 TO APPLY TO ATTORNEYS FEES ACTUALLY EXPENDED OR INCURRED; PLUS

(4) ANY ADDITIONAL AMOUNTS FOR YOUR UNIT BECOMING DUE TO (fill in name of association or secured party) AFTER THE DATE OF THIS NOTICE; OR

(b) YOU SECURE FROM A DISTRICT COURT AN ORDER THAT THE FORECLOSURE OF YOUR RIGHTS TO YOUR UNIT BE SUSPENDED UNTIL YOUR CLAIMS OR DEFENSES ARE FINALLY DISPOSED OF BY TRIAL, HEARING, OR SETTLEMENT. YOUR ACTION MUST SPECIFICALLY STATE THOSE FACTS AND GROUNDS THAT DEMONSTRATE YOUR CLAIMS OR DEFENSES.

IF YOU DO NOT DO ONE OR THE OTHER OF THE ABOVE THINGS WITHIN THE TIME PERIOD SPECIFIED IN THIS NOTICE, YOUR OWNERSHIP RIGHTS IN YOUR UNIT WILL TERMINATE AT THE END OF THE PERIOD, YOU WILL LOSE ALL THE MONEY YOU HAVE PAID FOR YOUR UNIT, YOU WILL LOSE YOUR RIGHT TO POSSESSION OF YOUR UNIT, YOU MAY LOSE YOUR RIGHT TO ASSERT ANY CLAIMS OR DEFENSES THAT YOU MIGHT HAVE, AND YOU WILL BE EVICTED. IF YOU HAVE ANY QUESTIONS ABOUT THIS NOTICE, CONTACT AN ATTORNEY IMMEDIATELY."

(4) In any foreclosure pursuant to chapter 580, 581, or 582, the rights of the parties shall be the same as those provided by law, except (i) the period of redemption for unit owners shall be six months from the date of sale or a lesser period authorized by law, (ii) in a foreclosure by advertisement under chapter 580, the foreclosing party shall be entitled to costs and disbursements of foreclosure, and attorneys fees in the amount provided by section 582.01, subdivision 1a, (iii) in a foreclosure by action under chapter 581, the foreclosing party shall be entitled to costs and disbursements of foreclosure and attorneys fees as the court shall determine, and (iv) the amount of the association's lien shall be deemed to be adequate consideration for the unit subject to foreclosure, notwithstanding the value of the unit.

(i) If a holder of a sheriff's certificate of sale, prior to the expiration of the period of redemption, pays any past due or current assessments, or any other charges lienable as assessments, with respect to the unit described in the sheriff's certificate, then the amount paid shall be a part of the sum required to be paid to redeem under section 582.03.

(j) In a cooperative, following foreclosure, the association may bring an action for unlawful detainer against the unit owner and any persons in possession of the unit, and in that case section 504.02 shall not apply.

(k) An association may assign its lien rights in the same manner as any other secured party.

*History: 1993 c 222 art 3 s 16; 1994 c 388 art 4 s 11*

### 515B.3-117 OTHER LIENS.

(a) Except in a cooperative and except as otherwise provided in this chapter or in a security instrument, an individual unit owner may have the unit owner's unit released from a lien if the unit owner pays the lienholder the portion of the amount which the lien secures that is attributable to the unit. Upon the receipt of payment, the lienholder shall promptly deliver to the unit owner a recordable partial satisfaction and release of lien releasing the unit from the lien. The release shall be deemed to include a release of any rights in the common elements appurtenant to the unit. The portion of the amount which a lien secures that is attributable to the unit shall be equal to the total amount which the lien secures multiplied by a percentage calculated by dividing the common expense liability attributable to the unit by the common expense liability attributable to all units against which the lien has been recorded, or in the case of a lien under subsection (b), the units against which the lien is permitted or required to be recorded. At the request of a lien claimant or unit owners, the association shall provide a written statement of the percentage of common expense liability attributable to all units. After a unit owner's payment pursuant to this section, the association may not assess the unit for any common expense incurred thereafter in connection with the satisfaction or defense against the lien.

(b) Labor performed or materials furnished for the improvement of a unit shall be the basis for the recording of a lien against that unit pursuant to the provisions of chapter 514 but shall not be the basis for the recording of a lien against the common elements. Labor performed or materials furnished for the improvement of common elements, if duly authorized

by the association, shall be deemed to be performed or furnished with the express consent of each unit owner, and shall be perfected by recording a lien against all the units in the common interest community pursuant to the provisions of chapter 514, but shall not be the basis for the recording of a lien against the common elements. Where a lien is recorded against the units for labor performed or material furnished for the improvement of common elements, the association shall be deemed to be the authorized agent of the unit owners for purposes of receiving the notices required under sections 514.011 and 514.08, subdivision 1, clause (2).

(c) A security interest in a cooperative whose unit owners' interests in the units are personal property shall be perfected by recording a financing statement in the UCC filing section of the office of the recording officer for the county in which the unit is located. In any disposition by a secured party pursuant to section 336.9-504 or retention pursuant to section 336.9-505, the rights of the parties shall be the same as those provided by law, subject to the exceptions and requirements set forth in section 515B.3-116(h)(3), and except that the unit owner has the right to reinstate the debt owing to the secured party by paying to the secured party, prior to the effective date of the disposition or retention, the amount which would be required to reinstate the debt under section 580.30 if the unit were wholly real estate.

**History:** 1993 c 222 art 3 s 17; 1994 c 388 art 4 s 12

#### **515B.3-118 ASSOCIATION RECORDS.**

The association shall keep adequate records of its membership, unit owners meetings, board of directors meetings, committee meetings, contracts, leases and other agreements to which the association is a party, and material correspondence and memoranda relating to its operations. The association shall keep financial records sufficiently detailed to enable the association to comply with sections 515B.3-106(b) and 515B.4-107. All records shall be made reasonably available for examination by any unit owner or the unit owner's authorized agent, subject to the applicable statutes.

**History:** 1993 c 222 art 3 s 18

#### **515B.3-119 ASSOCIATION AS TRUSTEE.**

With respect to a third person dealing with the association in the association's capacity as a trustee, the existence of trust powers and their proper exercise by the association may be assumed without inquiry. A third person is not bound to inquire whether the association has power to act as trustee or is properly exercising trust powers and third person, without actual knowledge that the association is exceeding its powers or improperly exercising them, is fully protected in dealing with the association as if it possessed and properly exercised the powers it purports to exercise. A third person is not bound to assure the proper application of trust assets paid or delivered to the association in its capacity as trustee.

**History:** 1993 c 222 art 3 s 19

#### **515B.3-120 DECLARANT DUTIES; TURNOVER OF RECORDS.**

(a) During any period of declarant control, declarant and any of its representatives who are acting as officers or directors of the association shall:

- (1) cause the association to be operated and administered in accordance with its articles of incorporation and bylaws, the declaration and applicable law;
- (2) be subject to all fiduciary obligations and obligations of good faith applicable to any persons serving a corporation in that capacity;
- (3) cause the association's funds to be maintained in a separate bank account or accounts solely in the association's name, from and after the date of creation of the association; and
- (4) cause the association to maintain complete and accurate records in compliance with section 515B.3-118.

(b) At such time as any period of declarant control terminates, declarant shall cause to be delivered to the board elected by the unit owners exclusive control of all funds of the association, all contracts and agreements to which the association was or is a party, all corporate records of the association including financial records, copies of all CIC plats and supplementary CIC plats, personal property owned or represented to be owned by the association, as-

signments of all declarant's rights and interests under the warranties if not in the name of the association, and, to the extent they are in the control or possession of the declarant, copies of all plans and specifications relating to the common interest community buildings and related improvements, and operating manuals and warranty materials relating to any equipment or personal property utilized in the operation of the common interest community. The declarant's obligation to turn over the foregoing items shall continue to include additional new or changed items in its possession or control.

(c) A declarant in control of a master association, and the master association's officers and directors, shall be subject to the same duties and obligations with respect to the master association as are described in subsections (a), (b) and (c). The period of declarant control of the master association shall terminate as provided in section 515B.2-121(f). A master association may not be used to circumvent or avoid any obligation or restriction imposed on a declarant or its affiliates by this chapter.

**History:** 1993 c 222 art 3 s 20

### 515B.3-121 ACCOUNTING CONTROLS.

(a) Subject to any additional or greater requirements set forth in the declaration or bylaws, a review of the association's financial statements shall be made at the end of the association's fiscal year, unless prior to 30 days after the end of that fiscal year, at a meeting or by mailed ballot, unit owners of units to which at least 30 percent of the votes in the association are allocated vote to waive the review requirement for that fiscal year. A waiver vote shall not apply to more than one fiscal year, and shall not affect the board's authority to cause a review or audit to be made. The reviewed financial statements shall be delivered to all members of the association within 120 days after the end of the association's fiscal year.

(b) The review shall be made by a licensed, independent certified public accountant. A licensed, independent certified public accountant means an accountant who (i) is not an employee of the declarant or its affiliates, (ii) is professionally independent of the control of the declarant or its affiliates, (iii) is licensed by the Minnesota state board of accountancy and (iv) satisfies the tests for independence as promulgated by the American Institute of Certified Public Accountants.

(c) The financial statements shall be prepared in accordance with generally accepted accounting principles as established from time to time by the American Institute of Certified Public Accountants, and shall be reviewed in accordance with standards for accounting and review services. The financial statements shall be presented on the full accrual basis using an accounting format that separates operating activity from replacement reserve activity.

**History:** 1993 c 222 art 3 s 21

## ARTICLE 4 PROTECTION OF PURCHASERS

### 515B.4-101 APPLICABILITY; DELIVERY OF DISCLOSURE STATEMENT.

(a) Sections 515B.4-101 through 515B.4-118 apply to all units subject to this chapter, except as provided in subsection (c) or as modified or waived by agreement of purchasers of a unit which is restricted to nonresidential use.

(b) Subject to subsection (c), a declarant who offers a unit to a purchaser shall deliver to the purchaser a current disclosure statement which complies with the requirements of section 515B.4-102. The disclosure statement shall include any material amendments to the disclosure statement made prior to the conveyance of the unit to the purchaser. The declarant shall be liable to the purchaser to whom it delivered the disclosure statement for any false or misleading statement set forth therein or for any omission of a material fact therefrom.

(c) Neither a disclosure statement nor a resale disclosure certificate need be prepared or delivered in the case of:

- (1) a gratuitous transfer;
- (2) a transfer pursuant to a court order;

- (3) a transfer to a government or governmental agency;
- (4) a transfer to a secured party by foreclosure or deed in lieu of foreclosure;
- (5) an option to purchase a unit, until exercised;
- (6) a transfer to a person who "controls" or is "controlled by," the grantor as those terms are defined with respect to a declarant under section 515B.1-103(2);
- (7) a transfer by inheritance;
- (8) a transfer of special declarant rights under section 515B.3-104; or
- (9) a transfer in connection with a change of form of common interest community under section 515B.2-123.

(d) A purchase agreement for a unit shall contain the following notice: "The following notice is required by Minnesota Statutes. The purchaser is entitled to receive a disclosure statement or resale disclosure certificate, as applicable. The disclosure statement or resale disclosure certificate contains important information regarding the common interest community and the purchaser's cancellation rights."

**History:** 1993 c 222 art 4 s 1

#### **515B.4-102 DISCLOSURE STATEMENT; GENERAL PROVISIONS.**

- (a) A disclosure statement shall fully and accurately disclose:
  - (1) the name and, if available, the number of the common interest community;
  - (2) the name and principal address of the declarant;
  - (3) the number of units in the common interest community and a statement that the common interest community is either a condominium, cooperative, or planned community;
  - (4) a general description of the common interest community, including, to the extent possible, the types and number of buildings;
  - (5) declarant's schedule of commencement and completion of construction of any buildings and other improvements that the declarant is obligated to build pursuant to section 515B.4-117;
  - (6) any expenses or services, not reflected in the budget, that the declarant pays or provides, which may become a common expense of the association; the projected common expense attributable to each of those expenses or services for the association; and a detailed explanation of any alternative assessment program established pursuant to section 515B.3-115(b) and (d);
  - (7) any initial or special fee due from the purchaser to the declarant or the association at closing, together with a description of the purpose and method of calculating the fee;
  - (8) identification of any liens, defects, or encumbrances which will continue to affect the title to a unit or to any real property owned by the association after the contemplated conveyance;
  - (9) a description of any financing offered or arranged by the declarant;
  - (10) a statement as to whether the common interest community has received any final project approvals from the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Department of Housing and Urban Development (HUD) or Department of Veterans Affairs (VA);
  - (11) the terms of any warranties provided by the declarant, including copies of chapter 327A, and sections 515B.4-112 through 515B.4-115, and a statement of any limitations on the enforcement of warranties or on damages;
  - (12) a statement that: (i) within 15 days after the receipt of a disclosure statement, a purchaser may cancel any contract for the purchase of a unit from a declarant; provided, that the right to cancel terminates upon the purchaser's voluntary acceptance of a conveyance of the unit from the declarant; (ii) if a purchaser receives a disclosure statement more than 15 days before signing a purchase agreement, the purchaser cannot cancel the purchase agreement; and (iii) if a declarant obligated to deliver a disclosure statement fails to deliver a disclosure statement which substantially complies with this chapter to a purchaser to whom a unit is conveyed, the declarant shall be liable to the purchaser as provided in section 515B.4-106(d);



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(13) a statement disclosing to the extent of the declarant's or an affiliate of a declarant's actual knowledge, after reasonable inquiry, any unsatisfied judgments or lawsuits to which the association is a party, and the status of those lawsuits which are material to the common interest community or the unit being purchased;

(14) a statement that any earnest money paid in connection with the purchase of a unit will be held in an escrow account until closing, or until the termination of the purchase agreement, and will be returned to the purchaser if the purchaser cancels the contract pursuant to section 515B.4-106, together with the name and address of the escrow agent;

(15) a detailed description of the insurance coverage provided for the benefit of unit owners, including any fixtures, decorating items or construction items within a unit which are not required to be insured by the association;

(16) any current or expected fees or charges, other than assessments for common expenses, to be paid by unit owners for the use of the common elements or any other improvements or facilities;

(17) the financial arrangements, including any contingencies, which have been made to provide for completion of all improvements that the declarant is obligated to build pursuant to section 515B.4-118, or a statement that no such arrangements have been made;

(18) in a cooperative: (i) whether the unit owners will be entitled for federal and state tax purposes, to deduct payments made by the association for real estate taxes and interest paid to the holder of a security interest encumbering the cooperative; and (ii) a statement as to the effect on the unit owners if the association fails to pay real estate taxes or payments due the holder of a security interest encumbering the cooperative;

(19) a statement: (i) that real estate taxes for the unit or any real property owned by the association are not delinquent or, if there are delinquent real estate taxes, describing the property for which the taxes are delinquent; stating the amount of the delinquent taxes, interest and penalties; and stating the years for which taxes are delinquent; and (ii) of the real estate taxes, including the amount of any special assessment certified for payment with the real estate taxes, due and payable with respect to the unit for which the disclosure statement is given in the year in which the disclosure statement is given;

(20) if the association or the purchaser of the unit will be a member of a master association, a statement to that effect, and all of the following information with respect to the master association: (i) a copy of the declaration, if any, (other than any CIC plat), the articles of incorporation, bylaws, and rules and regulations for the master association, together with any amendments thereto; (ii) the name, address and general description of the master association, including a general description of any other association, unit owners, or other persons which are or may become members, and a general description of the relationship between the master association and its members; (iii) a description of any nonresidential use permitted on any property subject to the master association; (iv) a statement as to the estimated maximum number of associations, unit owners or other persons which may become members of the master association, and the degree and period of control of the master association by a declarant or other person; (v) a description of, and the schedule of commencement and completion of, any buildings and other improvements that the master association, a declarant or other person, as the case may be, is obligated to build in which the members of the master association have or may have an interest; (vi) the financial arrangements, including any contingencies, which have been made to provide for completion of the buildings and improvements referred to in subsection (v), or a statement that no arrangements have been made; (vii) any current balance sheet of the master association, which shall include with respect to the master association those items set forth in section 515B.4-102(a)(23)(i) to (iv), and a projected or current annual budget, as applicable; (viii) a description of any services provided by the master association to its members and any current or projected assessments attributable to the members of the master association for the services; (ix) a description of any powers delegated to and accepted by the master association pursuant to section 515B.2-121(c); (x) identification of any liens, defects or encumbrances on or affecting title to property in which the members of the master association have or may have any interest; (xi) the terms of any warranties provided by any person for construction of buildings or other improvements in which the members of the master association have or may have an interest by virtue of membership

in the master association, and any known defects in the buildings or other improvements which would violate the standards described in section 515B.4-112(b); (xii) a statement disclosing, to the extent of the declarant's knowledge, after inquiry of the master association, any unsatisfied judgments or lawsuits to which the master association is a party, and the status of those lawsuits which are material to the master association; (xiii) a description of any insurance coverage provided for the benefit of its members by the master association; and (xiv) any current or expected fees or charges, other than assessments by the master association, to be paid by members of the master association for the use of any improvements, facilities or amenities in which they have or may have an interest;

(21) a statement as to whether the unit will be substantially completed at the time of conveyance to a purchaser, and if not substantially completed, who is responsible to complete and pay for the construction of the unit;

(22) a copy of the declaration and any amendments thereto, (exclusive of the CIC plat), any other recorded covenants, conditions restrictions, and reservations affecting the common interest community; the articles of incorporation, bylaws and any rules or regulations of the association; any agreement excluding or modifying any implied warranties; any agreement reducing the statute of limitations for the enforcement of warranties; any contracts or leases to be signed by purchaser at closing; and a brief narrative description of any contracts or leases that are or may be subject to cancellation by the association under section 515B.3-105; and

(23) any current balance sheet for the association; a projected annual budget for the association for the year in which the first unit is conveyed to a purchaser, and thereafter the current annual budget of the association; and a statement identifying the party responsible for the preparation of the budget. The budget shall include, without limitation: (i) a statement of the amount included in the budget as a reserve for maintenance, repair and replacement; (ii) a statement of any other reserves; (iii) the projected common expense for each category of expenditures for the association; and (iv) the projected monthly common expense assessment for each type of unit.

(b) A declarant shall promptly amend the disclosure statement to reflect any material change in the information required by this chapter.

(c) The master association, within ten days after a request by a declarant, or any holder of declarant rights, or the authorized representative of any of them, shall furnish the information required to be provided by subsection (a)(20). A declarant or other person who provides information pursuant to subsection (a)(20) is not liable to the purchaser for any erroneous information if the declarant or other person: (i) is not an affiliate of or related in any way to a person authorized to appoint the master association board pursuant to section 515B.2-121(h), and (ii) has no actual knowledge that the information is incorrect.

*History: 1993 c 222 art 4 s 2*

### **515B.4-103 COMMON INTEREST COMMUNITIES SUBJECT TO RIGHTS TO ADD REALTY.**

If the declaration provides that a common interest community is subject to any rights to add additional real estate:

(1) the disclosure statement shall include the following notice:

"The following notice is required by Minnesota Statutes. The declarant has reserved in the declaration certain rights to add additional real estate. These rights allow a declarant to add units or common elements to a common interest community, and to make other changes to the community over a specified period of time. These changes may have a substantial effect upon the units or rights of unit owners, by changing relative voting power and share of common expenses, by increasing the number of persons using the common elements, by altering the size and appearance of the common interest community and by making other changes which may affect the value or utility of the units. A purchaser of units in this common interest community should consider the possible effects of the declarant's rights reserved for this project"; and

(2) the disclosure statement shall include, in addition to the information required by section 515B.4-102, a statement referencing the provisions of the declaration where rights to add additional real estate are reserved.

**History:** 1993 c 222 art 4 s 3

#### **515B.4-104 TIME SHARES.**

If the declaration permits time shares, the disclosure statement shall contain or disclose, in addition to the information required by sections 515B.4-102 and 515B.4-103:

- (1) the unit identifiers of the units in which time shares may be created;
- (2) the total number of time shares that may be created;
- (3) the minimum duration of any time shares that may be created;
- (4) the extent to which the creation of time shares will or may affect the enforceability of the association's lien for assessments provided in section 515B.3-116;
- (5) a statement as to whether the time share interest is a fixed time period in a designated unit or if either the time period or unit may vary;
- (6) copies of all organizational documents, contracts, leases and other documents affecting the time share association or the time shares, or the purchaser's rights therein;
- (7) any state or federal ruling or nonaction letter regarding the time shares classification as a security or a statement that there is no ruling or nonaction letter;
- (8) a statement as to whether the time share is registered with the state under the Subdivided Land Sales Act or with the federal government under the Interstate Land Sales Act and, if the time share is so registered, a copy of the public offering statement or other disclosure document required by those acts; and
- (9) if the time share owners are to be permitted or required to become members of or to participate in a program for the exchange of occupancy rights among themselves or with the owners of time shares in other projects or both, a general description of the program.

**History:** 1993 c 222 art 4 s 4

#### **515B.4-105 COMMON INTEREST COMMUNITY WITH BUILDING ONCE OCCUPIED.**

The disclosure statement of a common interest community containing any building that was at any time before the creation of the common interest community wholly or partially occupied, for any purpose, by persons other than purchasers or persons who occupied with the consent of purchasers, shall contain, in addition to the information required by sections 515B.4-102, 515B.4-103 and 515B.4-104:

- (1) a professional opinion prepared by a registered professional architect or engineer, licensed in this state, describing the present condition of all structural components, and mechanical and electrical installations, material to the use and enjoyment of the building to the extent reasonably ascertainable without disturbing the improvements or dismantling the equipment;
- (2) a statement by the declarant of the expected useful life of each item reported on in paragraph (1) or a statement that no representations are made in that regard; and
- (3) a list of any outstanding notices of uncured violations of building code or other municipal regulations, together with the estimated cost of curing those violations.

**History:** 1993 c 222 art 4 s 5

#### **515B.4-106 PURCHASER'S RIGHT TO CANCEL.**

(a) A person required to deliver a disclosure statement pursuant to section 515B.4-101(b) shall provide at least one of the purchasers of the unit with a copy of the disclosure statement and all amendments thereto before conveyance of the unit. If a purchaser is not given a disclosure statement more than 15 days before execution of the purchase agreement, the purchaser may, before conveyance, cancel the purchase agreement within 15 days after first receiving the disclosure statement. If a purchaser is given the disclosure statement more than 15 days before execution of a purchase agreement for the unit, the purchaser may not cancel the purchase agreement pursuant to this section.

(b) If an amendment to the disclosure statement materially and adversely affects a purchaser, then the purchaser shall have 15 days after delivery of the amendment to cancel the purchase agreement in accordance with this section.

(c) If a purchaser elects to cancel a purchase agreement pursuant to this section, the purchaser may do so by giving notice thereof pursuant to section 515B.1-115. Cancellation is without penalty, and all payments made by the purchaser before cancellation shall be refunded promptly. Notwithstanding anything in this section to the contrary, the purchaser's cancellation rights under this section terminate upon the purchaser's acceptance of a conveyance of the unit.

(d) If a declarant obligated to deliver a disclosure statement fails to deliver to the purchaser a disclosure statement which substantially complies with this chapter, the declarant shall be liable to the purchaser in the amount of \$1,000, in addition to any damages or other amounts recoverable under this chapter or otherwise.

**History:** 1993 c 222 art 4 s 6

#### **515B.4-107 RESALE OF UNITS.**

(a) In the event of a resale of a unit by a unit owner other than a declarant, unless exempt under section 515B.4-101(c), the unit owner shall furnish to a purchaser, before execution of any purchase agreement for a unit or otherwise before conveyance, the following documents relating to the association or to the master association, if applicable:

(1) copies of the declaration (other than any CIC plat), the articles of incorporation and bylaws, any rules and regulations, and any amendments thereto;

(2) the organizational and operating documents relating to the master association, if any; and

(3) a resale disclosure certificate from the association dated not more than 90 days prior to the date of the purchase agreement or the date of conveyance, whichever is earlier, containing the information set forth in subsection (b).

(b) The resale disclosure certificate shall contain the following information:

(1) a statement disclosing any right of first refusal or other restraint on the free alienability of the unit contained in the declaration, articles of incorporation, bylaws, rules and regulations, or any amendment thereof;

(2) a statement setting forth the amount of the monthly installments of common expense assessments, including special assessments, if any, and the amount of any due and unpaid regular or special assessments, fines or other charges payable with respect to the unit;

(3) a statement of any fees or charges other than assessments payable by unit owners;

(4) a statement of any capital expenditures approved by the association for the current and two succeeding fiscal years;

(5) a statement of the amount of any reserves for maintenance, repair or replacement and of any portions of those reserves designated by the association for any specified projects or uses;

(6) the most recent regularly prepared balance sheet and income and expense statement of the association;

(7) the current budget of the association;

(8) a statement of any unsatisfied judgments against the association and the status of any pending suits in which the association is party;

(9) a detailed description of the insurance coverage provided for the benefit of unit owners, including any fixtures, decorating items or construction items within a unit which are not required to be insured by the association;

(10) a statement as to whether the board has notified the unit owner (i) that any alterations or improvements to the unit or to the limited common elements assigned thereto violate any provision of the declaration or (ii) that the unit is in violation of any governmental statute, ordinance, code or regulation; and

(11) a statement of the remaining term of any leasehold estate affecting the common interest community and the provisions governing any extension or renewal thereof.

(c) If the association is subject to a master association to which has been delegated the association's powers under section 515B.3-102(a)(2), then the financial information required to be disclosed under subsection (b) may be disclosed on a consolidated basis.

(d) The association, within ten days after a request by a unit owner, or the unit owner's authorized representative, shall furnish the certificate required in subsection (a). The association may charge a reasonable fee for furnishing the certificate and any association documents related thereto. A unit owner providing a certificate pursuant to subsection (a) is not liable to the purchaser for any erroneous information provided by the association and included in the certificate.

(e) A purchaser is not liable for any unpaid common expense assessments, including special assessments, if any, not set forth in the certificate required in subsection (a). A purchaser is not liable for the amount by which the annual or special assessments exceed the amount of annual or special assessments stated in the certificate for assessments payable in the year in which the certificate was given, except to the extent of any increases subsequently approved in accordance with the declaration or bylaws. A unit owner is not liable to a purchaser for the failure of the association to provide the certificate, or a delay by the association in providing the certificate in a timely manner.

*History: 1993 c 222 art 4 s 7*

#### **515B.4-108 PURCHASER'S RIGHT TO CANCEL RESALE.**

(a) Unless a purchaser is given the information required to be delivered by section 515B.4-107 more than 15 days prior to the execution of the purchase agreement for the unit the purchaser may, prior to the conveyance, cancel the purchase agreement within 15 days after receiving the information.

(b) A purchaser who elects to cancel a purchase agreement pursuant to subsection (a), may do so by hand delivering notice thereof or mailing notice by postage prepaid United States mail to the seller or the agent. Cancellation is without penalty and all payments made by the purchaser shall be refunded promptly.

*History: 1993 c 222 art 4 s 8*

#### **515B.4-109 ESCROW DEPOSITS.**

All earnest money paid or deposits made in connection with the purchase or reservation of units from or with a declarant shall be deposited in an escrow account controlled jointly by the declarant and the purchaser, or controlled by a licensed title insurance company or agent thereof, an attorney representing either the declarant or the purchaser, a licensed real estate broker or an independent bonded escrow company. The escrow account shall be in an institution whose deposits are insured by a governmental agency or instrumentality. The money or deposits shall be held in the escrow account until (i) delivered to the declarant at closing; (ii) delivered to the declarant because of the purchaser's default under a reservation agreement or a contract to purchase the unit; (iii) delivered to the purchaser pursuant to the provisions of section 515B.4-106 or the provisions of a reservation agreement or a contract to purchase; or (iv) delivered for payment of construction costs pursuant to a written agreement between the declarant and the purchaser.

*History: 1993 c 222 art 4 s 9*

#### **515B.4-110 OBLIGATION TO RELEASE LIENS.**

(a) In the case of a transfer of a unit where a disclosure statement is required, the declarant, before conveying the unit, shall:

(1) record or furnish to the purchaser recordable releases of all liens that the purchaser does not agree in writing to take subject to or assume, that encumber:

(i) in a condominium, that unit and its common element interest, and

(ii) in a cooperative or planned community, that unit and any common elements; or

(2) if the purchaser agrees in writing, provide the purchaser with a surety bond, substitute collateral or title insurance assuring against loss or damage from the enforcement of the lien.

(b) Before conveying real estate to the association, the declarant shall have the real estate released from: (1) all liens the foreclosure of which would deprive unit owners of any material right of access to a unit or any material easements appurtenant to a unit, and (2) all other liens on that real estate, unless the disclosure statement specifically states that the declarant may convey the real estate to the association subject to liens and discloses the maximum amount and all other relevant terms of the lien.

**History:** 1993 c 222 art 4 s 10

#### **515B.4-111 CONVERSION PROPERTY.**

(a) A declarant of a common interest community containing conversion property, shall give the occupants of residential units in the conversion property notice of the conversion no later than 120 days before they are required to vacate. The notice shall be given by hand delivering or mailing one notice to each residential unit, addressed to the occupants thereof. If the holder of the lessee's interest in the unit has given the owner of the building an address different than that of the unit, then the notice shall also be given to the holder of the lessee's interest at the designated address. The notice shall satisfy the following requirements:

(1) The notice shall set forth generally the rights conferred by this section.

(2) The notice shall have attached to the notice intended for the holder of the lessee's interest a form of purchase agreement setting forth the terms of sale contemplated by subsection (d) and a statement of any significant restrictions on the use and occupancy of the unit to be imposed by the declarant.

(3) The notice shall state that the occupants of the residential unit may demand to be given 60 additional days before being required to vacate, if any of them, or any person residing with them, is (i) 62 years of age or older, (ii) a person with a disability as defined in section 268A.01, or (iii) a minor child on the date the notice is given. This demand must be in writing, contain reasonable proof of qualification, and be given to the declarant within 30 days after the notice of conversion is delivered or mailed.

(4) The notice shall be contained in an envelope upon which the following shall be boldly printed: "Notice of Conversion."

(b) No occupant of a unit in a conversion property may be required to vacate upon less than 120 days' notice, except by reason of nonpayment of rent, waste, or conduct that disturbs other tenants' peaceful enjoyment of the premises. Nor may the terms of the tenancy be altered during that period, except that a tenant or other party in possession may vacate and terminate the lease upon one month's written notice to the declarant. Nothing in this section prevents the declarant and any occupant from agreeing to an extension of the tenancy on a month-to-month basis beyond the 120-day notice period, or to an earlier termination of the tenancy.

(c) No repair work or remodeling may be commenced or undertaken in the occupied units or common areas of the building during the notice period, unless reasonable precautions are taken to ensure the safety and security of the occupants.

(d) For 60 days after delivery or mailing of the notice described in subsection (a), the holder of the lessee's interest in the unit on the date the notice is mailed or delivered shall have an option to purchase that unit on the terms set forth in the purchase agreement attached to the notice. The purchase agreement shall contain no terms or provisions which violate any state or federal law relating to discrimination in housing. If the holder of the lessee's interest fails to purchase the unit during that 60-day period, the declarant may not offer to dispose of an interest in that unit during the following 180 days at a price or on terms more favorable to the offeree than the price or terms offered to the holder. This subsection does not apply to any unit in a conversion building if that unit will be restricted exclusively to nonresidential use or if the boundaries of the converted unit do not substantially conform to the boundaries of the residential unit before conversion.

(e) If a declarant, in violation of subsection (b), conveys a unit to a purchaser for value who has no knowledge of the violation, the recording of the deed conveying the unit or, in a cooperative, the conveyance of the right to possession of the unit, extinguishes any right a holder of a lessee's interest who is not in possession of the unit may have under subsection (d)

to purchase that unit, but the conveyance does not affect the right of the holder to recover damages from the declarant for a violation of subsection (d).

(f) If a notice of conversion specifies a date by which a unit or proposed unit must be vacated or otherwise complies with the provisions of chapter 566, the notice also constitutes a notice to vacate specified by that statute.

(g) Nothing in this section permits termination of a lease by a declarant in violation of its terms.

(h) Failure to give notice as required by this section is a defense to an action for possession until a notice complying with this section is given and the applicable notice period terminates.

**History:** 1993 c 222 art 4 s 11

### 515B.4-112 EXPRESS WARRANTIES.

(a) Express warranties made by a declarant or an affiliate of a declarant to a purchaser of a unit, if reasonably relied upon by the purchaser, are created as follows:

(1) Any affirmation of fact or promise which relates to the unit; use of the unit; rights appurtenant to the unit; improvements to the common interest community that would directly benefit the purchaser or the unit; or the right to use or have the benefit of facilities which are not a part of the common interest community, creates an express warranty that the unit and related rights and uses will conform to the affirmation or promise.

(2) Any model or description of the physical characteristics of a unit or the common interest community, including plans and specifications of or for a unit or other improvements located in the common interest community, creates an express warranty that the unit and the common interest community will conform to the model or description. A notice prominently displayed on a model or included in a description shall prevent a purchaser from reasonably relying upon the model or description to the extent of the disclaimer set forth in the notice.

(3) Any description of the quantity or extent of the real estate comprising the common interest community, including plats or surveys, creates an express warranty that the common interest community will conform to the description, subject to customary tolerances.

(b) Neither the form of the word "warranty" or "guaranty", nor a specific intention to make a warranty, are necessary to create an express warranty of quality, but a statement purporting to be merely an opinion or commendation of the real estate or its value does not create a warranty.

(c) Any conveyance of a unit transfers to the purchaser all express warranties.

**History:** 1993 c 222 art 4 s 12

### 515B.4-113 IMPLIED WARRANTIES.

(a) A declarant warrants to a purchaser that a unit will be in at least as good condition at the earlier of the time of the conveyance or delivery of possession as it was at the time of contracting, reasonable wear and tear excepted.

(b) A declarant warrants to a purchaser that:

(1) a unit and the common elements in the common interest community are suitable for the ordinary uses of real estate of its type; and

(2) any improvements subject to use rights by the purchaser, made or contracted for by the declarant, or made by any person in contemplation of the creation of the common interest community, will be (i) free from defective materials and (ii) constructed in accordance with applicable law, according to sound engineering and construction standards, and in a workmanlike manner.

(c) In addition, a declarant warrants to a purchaser of a unit which under the declaration is available for residential use that the residential use will not violate applicable law at the earlier of the time of conveyance or delivery of possession.

(d) Warranties imposed by this section may be excluded or modified only as specified in section 515B.4-114.

(e) For purposes of this section, improvements made or contracted for by an affiliate of a declarant are made or contracted for by the declarant.

(f) Any conveyance of a unit transfers to the purchaser all implied warranties.

(g) This section does not in any manner abrogate the provisions of chapter 327A relating to statutory warranties for housing, or affect any other cause of action under a statute or the common law.

*History: 1993 c 222 art 4 s 13*

#### **515B.4-114 EXCLUSION OR CHANGE OF IMPLIED WARRANTIES.**

(a) With respect to a unit available for residential use, no general disclaimer of implied warranties is effective, but a declarant may disclaim liability in an instrument separate from the purchase agreement signed by the purchaser for a specified defect or specified failure to comply with applicable law, if the defect or failure entered into and became a part of the basis of the bargain.

(b) With respect to a unit restricted to nonresidential use, implied warranties:

(1) may be excluded or modified by agreement of the parties; and

(2) are excluded by expression of disclaimer, such as "as is," "with all faults," or other language that in common understanding calls the purchaser's attention to the exclusion of warranties.

*History: 1993 c 222 art 4 s 14*

#### **515B.4-115 STATUTE OF LIMITATIONS FOR WARRANTIES.**

(a) A judicial proceeding for breach of an obligation arising under section 515B.4-106(d), shall be commenced within six months after the conveyance of the unit.

(b) A judicial proceeding for breach of an obligation arising under section 515B.4-112 or 515B.4-113 shall be commenced within six years after the cause of action accrues, but the parties may agree to reduce the period of limitation to not less than two years. With respect to a unit that may be occupied for residential use, an agreement to reduce the period of limitation must be evidenced by an instrument separate from the purchase agreement signed by the purchaser.

(c) Subject to subsection (d), a cause of action under section 515B.4-112 or 515B.4-113, regardless of the purchasers lack of knowledge of the breach, accrues:

(1) as to a unit, at the earlier of the time of conveyance of the unit by the declarant to a bona fide purchaser of the unit other than an affiliate of a declarant, or the time the purchaser enters into possession of the unit; and

(2) as to each common element, the latest of (i) the time the common element is completed, (ii) the time the first unit in the condominium is conveyed to a bona fide purchaser, or if the common element is located on property that is additional real estate at the time the first unit therein is conveyed to a bona fide purchaser, or (iii) the termination of the period of declarant control.

(d) If a warranty explicitly extends to future performance or duration of any improvement or component of the common interest community, the cause of action accrues at the time the breach is discovered or at the end of the period for which the warranty explicitly extends, whichever is earlier.

*History: 1993 c 222 art 4 s 15*

#### **515B.4-116 RIGHTS OF ACTION; ATTORNEY'S FEES.**

(a) In addition to any other rights to recover damages, attorney's fees, costs or expenses, whether authorized by this chapter or otherwise, if a declarant or any other person violates any provision of this chapter, or any provision of the declaration, bylaws, or rules and regulations any person or class of persons adversely affected by the failure to comply has a claim for appropriate relief. The association shall have standing to pursue claims on behalf of the unit owners of two or more units.

(b) The court may award reasonable attorney's fees and costs of litigation to the prevailing party. Punitive damages may be awarded for a willful failure to comply.



(c) The remedies provided for under this chapter are not exclusive and do not abrogate any remedies under other statutes or the common law, notwithstanding whether those remedies are referred to in this chapter.

**History:** 1993 c 222 art 4 s 16

**515B.4-117 LABELING OF PROMOTIONAL MATERIAL.**

No promotional material may be displayed or delivered to prospective purchasers which describes or portrays an improvement that is not in existence unless the description or portrayal of the improvement in the promotional material is conspicuously labeled or identified either as "MUST BE BUILT" or as "NEED NOT BE BUILT".

**History:** 1993 c 222 art 4 s 17

**515B.4-118 DECLARANT'S OBLIGATION TO COMPLETE AND RESTORE.**

(a) Except for improvements labeled "NEED NOT BE BUILT", the declarant shall complete all improvements depicted on any CIC plat prepared pursuant to section 515B.2-110, whether or not the plat is contained in the disclosure statement.

(b) The declarant is liable for the prompt repair and restoration of any portion of the common interest community damaged by the declarant's exercise of any special declarant rights.

**History:** 1993 c 222 art 4 s 18