

March 12, 2025

Senator Lindsey Port, Chair
Minnesota Senate Housing and Homelessness Committee

RE: S.F. 1750 HOA Testimony

Chair Port, Committee members,

Thank you for the opportunity to testify before your committee regarding homeowner associations in Minnesota. I am president of the Board of Directors of the Windwood Condominium Association, a complex of 205 units in Edina. I want to offer comment on S.F. 1750 dealing with HOA operation as well as on a critical issue, property insurance, that is making a negative impact on housing affordability in Minnesota.

There have been occasional instances of inappropriate HOA Board behavior among the many HOAs in Minnesota, 3700 associations in the metro area alone. These incidents deserve close attention so that the elected volunteers who direct associations better understand their responsibility. However, based on my 25 years of experience with different HOAs and management companies, I truly believe that Board infractions are a very small percentage of overall HOA activity. Association directors are most often well intentioned and competent resident volunteers with a fiduciary responsibility to the homeowners they represent. So while there is always room for improvement, we should be cautious about imposing additional limitations on HOAs that may not be warranted and can have unintended consequences. I refer to assigning directors of the Board additional obligations or altering fine structures that could rebound on the vast majority of satisfied residents in the form of higher costs. I agree with other testifiers that imposing questionable restrictions on HOA procedures has a high potential for a detrimental effect on homeowners and their associations. Minnesota's CIC framework has proven an effective means to govern associations allowing flexibility and enforcement. Most HOAs provide its owners with a strong sense of community and excellent quality of life.

As you must know, there is a growing property insurance crisis for homeowners in this state as well as around the country. Homeowner associations have been particularly affected by unprecedented spikes in master policy rates. In our own case, Windwood experienced an increase in our master property policy of more than 400%, despite there being no change in our risk assessment or claims. Our previous long time insurer withdrew from the Minnesota market leaving few options. We were forced to secure coverage, a state requirement, in the unregulated excess and surplus market. Since association costs are shared among its

homeowners, the Board was required to raise the monthly dues assessment by 40%. This left many of our owners financially stressed.

According to the insurance industry, this type of abrupt increase has been due to climate change, particularly hail storms in our state. Experts agree on the impact of severe weather. However I do not believe the impact of these extreme premium increases on home affordability has been sufficiently appreciated. Homeowner associations can offer affordable alternatives to single family homes for every demographic, from growing families to retirees. They represent market rate solutions to the spiraling costs of housing. Affordable home ownership, a goal we all want, can be achieved with a healthy HOA sector.

We hope for the insurance market to stabilize with more moderate rates in the coming years. However I also believe there is a vital role for state government. That could mean effective reinsurance measures from the legislature to encourage the private sector as well as appropriate regulation from the Insurance Division of the MN Department of Commerce. Homeowner insurance, which directly affects home affordability, is a homeowner and consumer protection issue.

Future generations should be able to look forward to affording their own home as a core asset for their financial well being. Homeowner associations can play an essential role toward that end by operating beneficially and economically for that sizable portion of Minnesotans who reside in HOAs.

Sincerely,

Larry Struck

Windwood Condominium Association

7508 Cahill Rd.

Edina, MN 55439