

September 2023

Community connection

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FirstService Residential

Minnesota President

Dear Board Members,

As I retire, this will be my final contribution to our client newsletter as I look forward to my next chapter.

I want to offer my appreciation and gratitude to each of you for your engagement and partnership with FirstService Residential Minnesota over your Board tenure. I have had the pleasure of working with many of you directly over my 28+ years with the company. Working together to make a difference in communities we serve has provided me a tremendous amount of sustenance for which I am so thankful.

I feel proud of what our leadership team and over 550 associates have accomplished for our customers and organization over the years. I look forward to seeing FirstService Residential continue to make a difference for each of your associations.

I wish you all the best and look forward to seeing friendly faces from our work on the bike trails, at dog parks, and otherwise enjoying our Twin Cities community.

Thank you!



Mark Gittleman
President
FirstService Residential Minnesota

Mark Gittleman



President - Minnesota

New Leadership

Introduction of Broc Coen

I am extremely honored and excited to be joining the amazing team at FirstService Residential Minnesota leading the organization into the next chapter. I look forward to continuing to build on the already strong relationships across our family of communities, clients, and associates in Minnesota. I want to thank Mark Gittleman for his leadership over a nearly thirty-year career as President in building and shaping our Minnesota team to provide true best-in-class services for the communities and clients we serve.

As I look ahead to my first days leading our organization, I will be spending my time listening to our associates and learning more about our partnerships with you and your neighbors. I will be learning more about how we are oriented to drive maximum value for your home and your community. This company was built on the foundation of trust in acting with your best interests in mind. My commitment to you is that we will continue to deliver on that trust for years to come. I look forward to serving you as we move forward together building enhanced value for your home and for your life.

Webinar



Now Playing: Watch Webinars on Demand

Missed a recent board member training webinar? Check out our webinar library to watch recent board member trainings.

You'll hear from industry experts as well as financial and legal professionals on how to enhance your community's property values and resident experience.

[WATCH NOW](#)



Making his mark

After 28 years, Mark Gittleman, President of FirstService Residential Minnesota is retiring and will soon be on to new adventures.

And it's bittersweet.

The bitter? We are losing our fearless leader and friend who we lean on to help problem solve, innovate, and continue to always improve

change, acquisitions large and small, exponential growth, and numerous systems, processes, and technology enhancements. He has challenged us in the best way, helped us grow, and ultimately, prepared us for change. And 28 years is a long time to make a lasting impact which will no doubt continue to support the success of our team as we continue to grow and change.



upon the service that we are delivering to our associates and clients.

With his retirement, we know we will miss what he brings to our team. We know we will miss all the laughing, learning, and a drive to continue reaching for bigger and better results and solutions.

The sweet? For 28 years, Mark has impacted countless people and communities during his tenure with FirstService Residential Minnesota, making a difference in the lives of his team and the clients and homeowners that we at FirstService Residential Minnesota support. That's thousands and thousands of lives impacted – which is really something special. Mark has led this team and company through

And the sweetest? After 28 years of service to our company and our clients, Mark gets to dedicate more time with his family, friends and dog, Buddy. He gets to go on more adventures, travel to new places, see more shows and listen to more music.

Mark will undoubtedly be greatly missed and we consider ourselves extremely lucky to work alongside someone who has given us the support, space and opportunity to grow.

Please join us in congratulating Mark on an outstanding career and on his next adventure!

Industry focus

2023 Legislative Update

By Patrick Hynes of Messerli | Kramer

By any standard, 2023 will be remembered as one of the most consequential legislative sessions of the past 50 years. Nearly all aspects of life in Minnesota will see some change, including life in homeowner associations. The volunteer board members who regularly work with their property managers to ensure the smooth running of their associations need to be aware of these changes, but all residents should be familiar with new laws as well.

This article cannot cover all of the details of the four major law changes discussed so Boards should plan to cover the details with their property managers and other advisors.

Legalization of Adult-Use Cannabis Presents Challenges for Homeowner Associations

The law legalizing adult-use cannabis was one of the most high-profile bills to pass the Minnesota Legislature in the past 20 years. Beginning on August 1, 2023 it will be legal for adults 21 and older to use and grow cannabis in Minnesota. (The sale of so-called low potency edibles and beverages—products with no more than 5mg of THC—is already legal in the state, and this will continue.) Minnesotans will not be able to buy cannabis products in Minnesota for at least a year as the state puts in place the complicated licensing regime to allow sales. In the meantime, the legalization will present challenges for homeowner associations.

Cannabis Smoke as a Nuisance. A provision in the new law states that *any use of adult-use cannabis flower which is injurious to health, indecent, or offensive to the senses, or an obstruction to the free use of property so as to interfere with the comfortable enjoyment of life or property is a*

nuisance. The language targets the impact of cannabis smoke on neighbors, and was a must-have for certain legislators to support the bill.

More problematic for HOAs is a provision allowing residents to bring a legal action against a landlord or HOA for failing to enforce the terms of a lease, governing document, or policy related to the use of adult-use cannabis. While a homeowner association may not have specific cannabis policies in their governing documents, a “policy” relating to adult-use cannabis can include the specific nuisance law passed by the state. If a resident shows their personal enjoyment has been lessened by this nuisance, they are entitled to actual damages or a civil penalty of \$500. **This provision became effective on July 1, 2023.**

Enforcing Nuisance Policies and Laws. Perhaps the only certainty in association life is that rules will be violated. But, does the fact that a resident or guest violated a rule also mean that the association failed to enforce it? This question is critical because it is the failure to enforce a policy that creates liability for an association. The law does not define enforcement so to best protect the interest of your association, the board must work closely with its property manager to enforce the law on the front end, similar to how the state enforces speed limits. Every day thousands of people exceed the posted speed limit and are not punished, but this does not mean that the law is not enforced. Signs are posted, fines are established, and police officers set speed traps to enforce the law.

Residents should be made aware of the law through direct notice and posted notices. Boards and property managers should review governing documents and determine whether changes need to be made to clarify what rules and fines currently apply to smoking cannabis, and whether the rules should be changed to specifically address cannabis. Any resident complaints

Industry focus cont.

should be promptly addressed and the results communicated to the complaining resident to the greatest degree possible.

Growing Cannabis. The new law also allows individuals to grow a limited amount of cannabis for personal use in their homes and yards. The law allows an individual to grow “up to eight cannabis plants, with no more than four being mature, flowering plants . . . at a single residence, including the curtilage or yard, without a license . . . provided that cultivation takes place at the primary residence of an individual 21 years of age or older and in an enclosed, locked space that is not open to public view.”

Future Ban on Smoking. Beginning on March 1, 2025 the law will prohibit the vaporizing or smoking of cannabis products in a “multifamily housing building,” including balconies and patios. The bill does not define “multifamily housing building” so the bill appears to include even a 2-unit townhome with separate entrances. **This provision does not become effective until March 1, 2025**, so there will be additional legislative debate on the provision in 2024.

Attorney Fees, Fines, and Foreclosures Targeted for Legislative Change

A new law initially proposed by the Legal Services Advocacy Project (LSAP) will impose additional requirements on HOAs when issuing fines and foreclosing on units. LSAP argued low-income association residents can be in a position to lose their homes to foreclosure over modest fines and attorney fees charged by associations. While these situations may be rare, legislators felt strongly about imposing new requirements on associations with the goal of protecting homeowners. The new provisions include:

- Clarification that an association cannot require homeowners to pay attorney fees when they successfully challenge a Board’s issuance of a fine or assessment.

- A new notice that Boards must give to homeowners when issuing a fine or assessment including: details relating to the fine; a notice that unpaid fines and assessments can lead to the imposition of attorney fees, fines, and foreclosure; and a notice that homeownership assistance is available from the Minnesota Homeownership Center. **These two provisions are effective January 1, 2024 and effective for fines and assessments levied on or after that date.**

It will be important for all boards to review the language of their current notices to ensure they meet the requirements to ensure that fines and unpaid assessments are not invalidated and that liens can be perfected and foreclosed upon if necessary.

- A prohibition on requiring full payment of accelerated installments of an assessment in order to prevent foreclosure of an association’s lien. (Associations may require all installments are fully paid up to the date of reinstatement.) **This provision is effective August 1, 2023.**
- A prohibition on requiring the payment of attorney fees or costs in order to reinstate a mortgage. **This section is effective August 1, 2023 and applies to foreclosures initiated on or after that date.**

Of note, the bill only prohibits the payment of attorney fees and costs as a condition of reinstatement; it does not eliminate the responsibility of the homeowner to pay the fees and costs, and the board may collect those fees and costs through any means allowable by law.

Associations May See More Solar Panels in the Future

Addressing climate change was a high priority for Democrats in 2023, with dozens of law changes and new programs designed to increase solar power generated in Minnesota. For the past three years, the solar industry has sought legislation that would make it more difficult for associations to deny requests by homeowners to install solar panels in their communities.

Industry focus cont.

As passed by the Legislature, the law only applies to single-family homes and multi-unit buildings where a single entity owns all of the units. The owner of these units cannot be denied a permit to install solar panels if they agree to bear all of the cost of installation, maintenance, and replacement, as well as all liability related to damage caused by the panels. They must also meet technology requirements and demonstrate to the Board they have met all legal requirements.

A resident requesting permission to install solar panels must provide the Board with detailed information that is spelled out in the new law. When the Board receives the information, it must act upon the application within 60 days, or permission will be deemed granted. Critically, a Board has 15 days from receipt of the application to inform the applicant of any missing information. Again, it will be critical to work with your property manager to process applications in a timely manner.

An association can require changes to a design, but they are very limited and cannot exceed \$1,000.

Special Service & “Downtown Improvement Districts” Can Soon Include HOAs

What is a Special Service District? Special Service Districts allow commercial properties to petition a city to charge extra fees to provide extra or “enhanced” services to a geographic area within a city, typically in a downtown or commercial area. Both Minneapolis and St. Paul have Downtown Improvement Districts and other SSDs exist in cities like Duluth and Rochester. While HOAs and other residential buildings are currently located within the boundaries of SSDs, the service fees only applied to commercial properties. This will change starting this summer as a new law pushed by larger cities will allow residential properties to be subject to the petition process and any fees imposed to pay for services within the SSD.

The good news for properties within or adjacent to SSDs is that a city cannot add residential properties to an existing SSD without initiating a

new public hearing process, which begins with a petition. The existing petition process is somewhat cumbersome and the legislation did not make any significant changes that would better incorporate the addition of residential properties to the process.

The Petition must be supported by “owners of 25% or more of the land area of property that would be subject to service charges in the proposed special service district,” AND EITHER

- (1) owners of 25% or more of the net tax capacity of property that would be subject to a proposed charge; or
- (2) owners, individuals, and business organizations subject to 25% or more of a proposed charge.

If a petition meets those standards the city must hold a public hearing before adopting an ordinance creating the district. At this hearing, individual landowners may object to their inclusion in a district if they believe their property would not benefit or if they would not receive the services of the district.

Veto. If landowners of 35% or more of the land area based on net tax capacity, or landowners subject to 35% or more of the service charges to be imposed in a district object, then the creation of the district will be vetoed.

The new law does contain a small carve-out for homeowner associations. Service charges may not be imposed on a unit in a Common Interest Community for a service that is ordinarily provided by the unit owner’s association unless an increased level of service is provided by the district. One common item this could impact would be snow removal on sidewalks, which may not be ordinarily provided by a municipality.

Bottom Line. The Legislature made an already complex statute even more complex. Any association in a downtown or mixed-use commercial zone should know whether they are currently located in a Special Service District, and be prepared to engage with city officials to make sure your voices are heard during the process of considering whether an SSD makes sense for your residents.

Associate focus

People Leader Lift Off

Day in and day out, we know we have a great team, comprised of positively fabulous people.

Each year, we get to see just how wonderful our team is from the feedback provided during our Annual Associate Experience Survey, Voices.



Karen Stenoien
Director of Human
Resources

And each year, we know, without a doubt, that one of the things our associates love most about their experience is working with their teams and our company culture at FirstService Residential Minnesota.

To continue to improve upon our associate experience, our Human Resources and Training team has developed a training to further support, empower and grow our People Leaders and viola, we created People Leader Lift Off (PLLO)!

PLLO targets two segments: The Basics and The Not So Basics of People Leadership. We start at managing a timecard, and managing absenteeism, and end with what it means and how to be a coach and a leader to their team.

In addition to People Leader Lift Off, we have launched Leader Loop, which is a monthly newsletter that goes out to all our people leaders with a quick tip on being a leader and a coach.

To date, we have trained over 40 people leaders and are heating up over the summer (apologies, recent heat index influenced that pun) holding five sessions over the course of the summer to capture our Association and Community Manager team members.



FIRSTSERVICE RESIDENTIAL MINNESOTA HUMAN RESOURCES AND TRAINING TEAM

I'll close it out with a quote we focus on in our training from Simon Sinek:

**"Leadership is not about being in charge.
Leadership is about taking care of those in your charge."**

Continued Turbulence in the Insurance Market for HOAs, Condos and Townhomes



For communities with master insurance policy renewal dates from July 1 onward, many experienced a severe impact on premiums and coverage due to the increasingly challenging underwriting market. A major factor in the downturn was the renewal of reinsurance treaties on July 1 for many of the insurance carriers offering coverage to communities.^[1] Skyrocketing reinsurance rates forced carriers to significantly decrease their appetite and capacity, especially for certain types of properties with above average insured values. The net impact of marketplace change is an even smaller pool of admitted insurance carriers willing to offer coverage in Minnesota.

Admitted insurance carriers are considered “standard” providers with more competitive rates and more robust coverage, while also being backed by the state’s guaranty fund should any of those admitted carriers become insolvent.^[2] On the other hand, non-admitted carriers, aka excess and surplus carriers, are considered “non-standard” and often provide coverage at much higher rates than admitted carriers.

Beginning January 1 and only escalating further on July 1, many communities have been forced into the non-standard market due to standard carriers issuing cancellations, their inability to underwrite larger risks due to reinsurance pricing and capacity, and general constriction in their underwriting appetite. This has resulted in significant premium increases for many communities, with some increases being as great as 400%. The hardest hit communities have been those that are frame construction type with insured replacement cost values in excess of \$50M. Properties with large open claims have also been similarly impacted.

These marketplace changes are impacting all carriers be they direct writer, such as American Family and State Farm, or carriers brokered through independent insurance agents, such as Fireman’s Fund, Travelers, or Auto Owners.

In these instances where every standard carrier declines to offer coverage and brokers are forced to obtain terms from the non-standard market, the negative impacts are felt not only on premium increases, but also on timing of receiving quotes and more limited coverage. Excess and surplus carriers often wait until the last possible minute to deliver quotes, which forces board members to make difficult decisions with very little time. Furthermore, brokers are challenged to build adequate property limits because of limited capacity resulting from increased reinsurance rates. For example, there are occasions where a broker is only capable of building up a small percentage of the property’s total insured values at time of policy renewal, until additional carriers agree to “excess” property limits.

While the underwriting marketplace shows no signs of improvement in the near future, agents and brokers are beginning to work more closely together as a community to find creative solutions for common interest communities. With capacity being scarce, traditional methods of relying on one insurance carrier to cover an entire community’s property insurance are being challenged. Mortgage lenders are also weighing in and offering feedback on what they deem to be acceptable minimum requirements. In the face of such adversity, it is likely only a matter of time before better alternative solutions are created that leave a long-lasting positive impact on common interest community insurance. Until then, and despite unfavorable renewal results, we can assure you that the Minnesota agents and brokers specializing in condo/HOA insurance are working tirelessly to obtain the best possible insurance options available for your community.

^[1] Gallagher Re – 1st View: Continuing Discipline, July 2023

^[2] The **state insurance guaranty funds** are designed as a safety net to pay certain claims arising out of policies issued by licensed insurance companies. They do not pay non-policy claims or claims of self-insured groups, or other entities that are exempt from participation in the guaranty fund system. (Source - <https://minnesota.ncigf.org/frequently-asked-questions>)

New client welcome

Introducing Lifestyle Communities

With over 50 years of experience in the cooperative living space, Lifestyle Communities and its affiliate Artessa Development's array of cooperative brands have an unparalleled vision for individuals in their prime looking for stylish, functional living in the years that matter most—helmed by Dena Meyer, whose steadfast leadership has established a company that leads with passion, innovation, and collaboration across all aspects of their specialties.

These attributes allow their communities to bring together the simple joys of quality living, which have become their signature: pride of ownership, maintenance-free and one-level, and amenity-rich residences in first-class locations. Having welcomed over 4,000 residents into their communities in Minnesota and beyond, this unique approach to cooperative living for 62+ is rooted in a desire to listen, learn and act on the needs and wants of their residents.

The result is a defined niche within the marketplace. Known for boutique-sized cooperatives that have a small enough footprint to build in the most desirable walkable neighborhoods, booming with attractions, designed for residents' unique style, access to public parks, and conveniences, when you walk into a co-op designed by Lifestyle Communities, you're walking into a space where no detail is missed, allowing for immense pride in your home.

The future of Lifestyle Communities and Artessa Development is prosperous and overflowing with

new co-ops in development in Mound, Shakopee, Long Lake, and Maple Grove, with an expansion into the Scottsdale, AZ market later this year. Each of these new builds is rooted in individual style, exceptional amenities, personalization of the home, and pricing options that meet people exactly where they are.



And beyond the signature style, location and amenities are proper neighborhoods under one roof. Bringing together people of unique backgrounds that are shared by a single vision – to live their best years among like-minded individuals, have a built-in social network, be close to friends and family, and relish in the hobbies and activities that make life worth living.

While members own the cooperatives and have a member-elected board to ensure a quality-run community, the management company is vital. Once opened, partnering with FirstService Residential will provide cooperatives with exceptional management and lifestyle resources. The concierge approach and deep experience in board leadership make FirstService Residential the management partner of choice for Lifestyle Communities and Artessa.

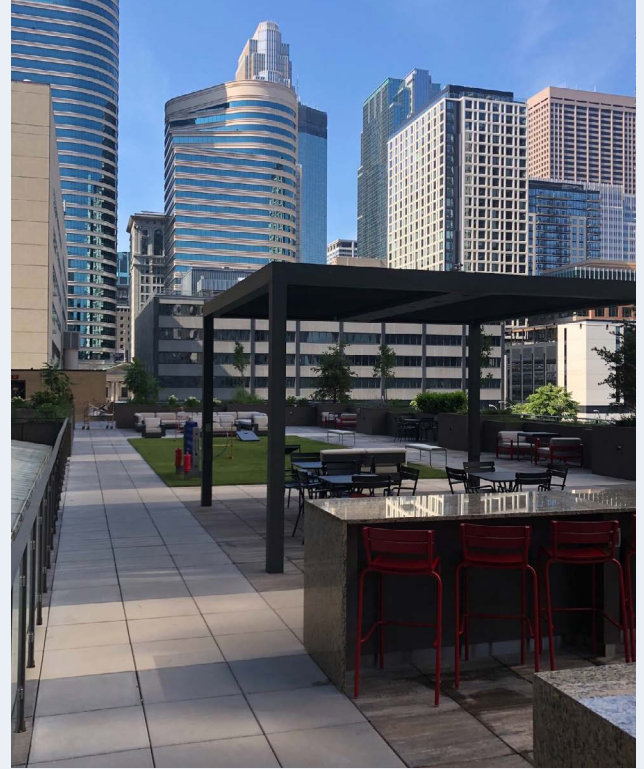
To learn more, visit www.ThisLifestyle.com and www.ArtessaLiving.com or call 612.875.2443.

Urban team

Enhancing Value for Our Clients

Under the leadership of Andy Gittleman, Executive Vice President, and Amanda Kelzenberg, Urban Vice President | Community Management, our Urban Property Management Team currently manages 138 community associations, representing 12,000+ homeowners. The communities encompass primarily low- and high-rise condominium projects located in the cities of Minneapolis and St. Paul.

The continued success of our Urban Property Management Team can be attributed to the 320+ team members all committed to providing a first-class experience for our clients. These talented professionals strive to enhance curb appeal to help maximize property values and safeguard the marketability of our clients' homes.



URBAN SHOWCASE: THE CROSSINGS

Homeowners at The Crossings, a 302-unit condominium project in downtown Minneapolis, have enjoyed an updated third-floor rooftop pool and deck amenity this summer.

Our Regional Director John Benevides and Association Manager Joe Stouffer worked in partnership with the Board of Directors at The Crossings to complete this multi-year project, which transformed an outdated deck into a beautiful outdoor oasis in the heart of the urban core. The outdoor space features a swimming pool, a grassy knoll with lawn games, gas grills and an herb garden – all surrounded by comfortable lounge seating areas.

Talk about increasing value! This modernization project will significantly enhance the value of The Crossings condominium association while also enhancing the “at home” living experience for homeowners.

Social purpose

Walking With Purpose

This summer, our FirstService Residential Minnesota team has put our feet in motion for Social Purpose!

Along with our loved ones, we walked and ran for Pride. Although the weather was a bit dreary, we enjoyed being together as a team, getting some fitness and celebrating alongside other walkers and supporters to celebrate LOVE and kick off Twin Cities Pride Weekend!

In August, our team, friends, family and fur family, walked and ran for Emotions in Motion, benefiting SAVE (Suicide Awareness Voices of Education).

This is our fourth year participating In Emotions in Motion and we look forward to continuing to support a great cause and one another!



Over 80 years of Minnesota property management experience.

Our team is committed to serving your association with excellence, striving to enhance your property values and enrich the lifestyle of your residents.



Your Minnesota team



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