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Date: March 5<sup>th</sup>, 2003

To: Senate Governmental Affairs Committee, 2003 Legislature

From: Lon A. DeWeese, Chief Financial Officer

Subject: Addressing your stated concerns on S.B. 78

After carefully considering your collective input, questions and concerns voiced at the hearing February 23<sup>rd</sup>, on S.B. 78, we would like to ask for your consideration for the following.

**Your concern about high income groups taking advantage of expanded 'special groups' lending authority [§1 §§ 5]**

**RESPONSE:**

- The Housing Division will only do lending programs where there will be income limits and house price limits under the new lending authority if approved. Housing price limits which are applicable under existing statutes and regulations will apply to future programs. Those limits are determined by an IRS dictated formula and will be incorporated into the regulations promulgated for the additional lending authority. Thus, there can be no Incline Village luxury homes eligible for future lending programs of the Housing Division.
- Existing lending programs of the Housing Division have for 27 years have had family size adjusted income limits of 120% of median income. It has been a very rare circumstance where one of our qualified borrowers could afford a home at the existing limits. We have prepared the attached amendment which we request be added into the proposed statute capping all new lending programs at 150% of median income, family size adjusted. This should allow for use of the programs by staff nurses, experienced high school special education teachers but not school principals, Director's of Nursing or Doctors or prison wardens.

**Your concern about 'too broad and/or uncontrolled authority' [also §1 §§ 5]**

**RESPONSE:**

- The 1999 and 2001 Legislatures ask for the Housing Division to conduct studies to identify 'special needs groups' to help focus future lending programs. The results of those studies are in and have been shared with both the Senate Finance and Assembly Ways and Means Committees. The Governor's Budget submitted to the 2003 Legislature has prescribed a limit for special lending authority for special needs groups related to a maximum of \$30,000,000 in additional private activity debt. Additionally there is budgeted \$805,000 in Low Income Housing Trust grants for eligible groups whose income does not exceed 50% of area median income. All lending programs require administrative expenditures to enable the issuance of debt to fund the programs. 100% of the new program debt issuance expenditures are and will continue to be controlled by the legislative budgetary process. There are two additional statutory controls covering all program's debts.

- The Housing Division is required by statute to submit to the Advisory Council, an annual financing Work-Plan. Additionally, at the end of each year, the Division must review how it did in the prior 12 months relative to the approved plan.
- Secondly, by statute, all debts issued to fund programs must have strictly prescribed 'findings' and be underwritten and approved by the State Board of Finance. This strict control will not change with the intended new authority and would be stricter because of the necessity to justify and quantify the demand of the new 'special needs' group(s). We have incorporated into our proposed amendment explicit language requiring 'findings' of need for special groups to be reviewed and approved by the State Board of Finance PRIOR to future debt issuance.

In summary then, the legislatively approved budget will govern how much can be spent for new and existing programs, the Advisory Council will approve the plan for program implementation and the State Board of Finance will control all 'findings' approvals and fund raising debt issuance. We submit that any new program will be neither uncontrolled or too broad based upon this collection of strict and formal controls. If however there are some specific changes in section #1 subsection#5 that the committee wishes to discuss we will be glad to listen and consider.

The other sections of S.B. 78 did not seem to create a concern as we perceived your questions. It is important to emphasize the necessity of raising the existing debt limit [see §3 & 4 of S.B. #78] as has been done every 4-7 years since 1975. It is paramount to emphasize the necessity of your approving §6 so as to allow existing programs to continue to operate as is. However, we would be glad to discuss them further either one-on-one or during your committee work session time together.

Thank you most sincerely for your attention to this very important matter.

- 2-9 Any identifiable factor other than those set forth in  
2-10 subsections 1 to 4, inclusive, that the Administrator determines, through  
findings submitted to and approved by the State Board of Finance,  
2-11 is common to a group of persons or families and which causes the  
2-12 group to be unable to obtain decent, safe and sanitary housing in  
2-13 an area *so long as any lending to such groups is limited to: income  
levels of no greater than 150% of median income [family size adjusted] and  
the total value of lending to all such groups does not exceed more than  
10% of loans outstanding in the Division's portfolio;*