MINUTES OF THE
SENATE COMMITTEE ON JUDICIARY

Seventy-fifth Session
March 17, 2009

The Senate Committee on Judiciary was called to order by Chair Terry Care at 8:37 a.m. on Tuesday, March 17, 2009, in Room 2149 of the Legislative Building, Carson City, Nevada. Exhibit A is the Agenda. Exhibit B is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Terry Care, Chair
Senator Valerie Wiener, Vice Chair
Senator David R. Parks
Senator Allison Copening
Senator Mike McGinness
Senator Maurice E. Washington
Senator Mark E. Amodei

GUEST LEGISLATORS PRESENT:

Senator Michael A. Schneider, Clark County Senatorial District No. 11

STAFF MEMBERS PRESENT:

Linda J. Eissmann, Committee Policy Analyst
Judith Anker-Nissen, Committee Secretary

OTHERS PRESENT:

Karen D. Dennison, American Resort Development Association
Foster Mullen, President, Q M Corporation
Gail J. Anderson, Administrator, Real Estate Division, Department of Business and Industry

CHAIR CARE:
Yesterday on the floor, I made a statement following a question raised earlier in the day regarding Senate Bill (S.B.) 67, the homestead declaration form. If it is agreeable with the Committee, we ask Staff to send letters of inquiry to the

various county recorders to see what their practice is when people already have a recorded homestead exemption. If S.B. 67 passes and becomes law, are they told they have to file another one if the form changes or when the homestead exemption amount is raised?

SENATE BILL 67: Revises provisions governing declarations of homestead. (BDR 10-440)

Whenever we have raised the exemption by statute, a recorded homestead exemption is fine. It is not necessary to rerecord anything. Is the Committee comfortable with asking Staff to verify that? Ms. Eissmann please make a note of that please.

I will open the hearing on S.B. 176.

SENATE BILL 176: Makes various changes relating to time shares. (BDR 10-692)

SENATOR MICHAEL A. SCHNEIDER (Clark County Senatorial District No. 11):
On the second page of Proposed Amendment 3457 (Exhibit C), lines 27 through 29 have to do with the developer who "owns, or has legal title to, the units or parcels to be withdrawn and no other person has any interest in the units or parcels." That language is specifically for one property in Las Vegas, the Royal Hotel.

Let me disclose that I used to be an owner in the Royal Hotel timeshare. I no longer have any interest in that. However, a former partner of mine, John Rothman, is in management at the Royal Hotel. Mr. Rothman asked me to serve on the Board of Directors of the homeowners' association. It is a nonpaid position. The property went into foreclosure; it was caught in the USA Capital debacle, and we sold the hotel to USA Capital. Mr. Rothman has a management agreement with the new owner. I served on the board to help Mr. Rothman because I do know something about homeowners' associations. That is the extent of my involvement.

Mr. Rothman asked me to bring the proposed amendment, Exhibit C, regarding the time-share developers because time shares are going through tough times. There are many foreclosures in time shares, the people are not able to take care of their notes.

The proposed amendment, Exhibit C, would clean it up. Hopefully, I have disclosed everything so that anybody from the *Las Vegas Sun* who may be listening will understand what we are doing here.

CHAIR CARE:
I am looking at two documents, one is a proposed amendment (Exhibit D) from Ms. Dennison and then the mock-up, Exhibit C, prepared for you.

SENATOR SCHNEIDER:
Correct.

CHAIR CARE:
They do not read word for word. Is one version more recent than the other?

SENATOR SCHNEIDER:
Mr. Chair, Exhibit C, Proposed Amendment 3457 is more recent. Committee Counsel, Mr. Wilkinson, prepared this after talking with Mr. Rothman at length because our original did not quite get to what he was trying to do.

CHAIR CARE:
And that supersedes Ms. Dennison's?

SENATOR SCHNEIDER:
I will let Ms. Dennison explain hers. Since I introduced S.B. 176, they brought another issue with time shares to move ownership from one building to another. That also has to do with people who have nonperforming notes they can consolidate.

Proposed Amendment 3457, Exhibit C, deals with the reduction of units in a time share. In the Royal Hotel, they have right-to-use and they had some deeded units. It is the right-to-use that is going away. People are turning them back, and not making their note payments.

I will let Ms. Dennison explain Exhibit D.

KAREN D. DENNISON (American Resort Development Association):
The American Resort Development Association is the national trade organization for the time-share industry. It includes not only developers and lenders who make loans on time-share projects, but also owners. There is a part owner

called the Resort Owners Coalition. We are an all-inclusive umbrella trying to represent and look at all sides of an issue when we present and review bills.

I also represent Q M Corporation. Foster Mullen, the President of Q M Corporation is with me today. Q M Corporation was the developer for many years and also the manager of the Thunderbird Resort Club in Sparks.

The genesis of S.B. 176 comes out of issues which have been raised at the Thunderbird Resort Club. You have a letter in your packet, which we just received this morning (Exhibit E), from the Board of Directors of the Thunderbird Resort Club owners, explaining their issues which Mr. Mullen will address in greater detail.

I will go through the bill as a whole, then I will talk about the amendment, Exhibit D. Senate Bill 176 is designed to consolidate and downsize time-share projects. The reason for this, as Senator Schneider mentioned, is we are experiencing an enormous waive of foreclosures. In the past, there are people who default, but those are usually replenished with new time-share sales. The time-share industry is experiencing a situation, as are many other industries, where they cannot get financing for their receivables. The lifeblood of the time-share industry is selling their receivables to such a lender as Textron or one of the big lenders that buy time-share paper. That keeps the money flowing so the sales operations, which are very expensive, can continue. That is another factor; we have two things working, no new sales and we have foreclosures.

In Thunderbird Resort Club alone, we have 1,000 foreclosed weeks out of approximately 8,000 time-share interests. As you can tell, it is a major problem which is strapping the associations. They cannot afford to maintain units that they do not need for their time-share program. The purpose of S.B. 176 would be to downsize the project so it is affordable and the association can remain economically viable.

Section 1 is the essence of S.B. 176. Subsection 1 deals with the downsizing and relocation where you would take a time-share interest and move it to another unit or parcel. The moving to another parcel means you have an undivided interest in a parcel. That undivided interest would then be relocated to another parcel, which would be the situation with the Thunderbird Resort Club.

The other situation is a mapped condominium, legally-created units. You could withdraw a whole unit and move the owners who were tied to that unit to another unit. The restrictions and consumer protections are it has to be within the same physical project, and it has to be under the same time-share plan. They have the same reservation and vacation rights they bought through their time-share plan. The unit value has to be equal to or greater than the original unit type purchased.

The third is sleeping accommodations—if you purchased a unit that sleeps six, you have to have a unit that sleeps six available in the substituted parcel or unit.

Subsection 2 deals with how a relocation would occur where the interest is owned by persons other than the developer. Senator Schneider spoke to a situation where the developer needs to withdraw interests. This is a relocation section where you take units and you do not withdraw them, but you relocate them. The two criteria are you have owner approval, association member approval, and the vote required under Nevada Revised Statute (NRS) 82.291 is 10 percent of the membership. The vote or written consent of 10 percent of the membership would be required, and the developer would have to consent to this relocation.

Subsections 3 and 4 provide for the mechanism by which you actually accomplish the relocation in the records of the county where the property is located. Those provide for the names of the record owners, the permanent identifying number and legal description of the unit or parcel, so you can identify which time-share interests have been relocated with the substituted unit or parcel for those time-share interests.

Senator Schneider just spoke about subsection 5, in which once time-share owners are relocated out of a parcel or unit, that parcel or unit would then be withdrawn from the time-share plan and used for something other than a time share, at least temporarily. Although it could always be reannexed into the time-share plan if times change, the unit or parcel would be withdrawn from the time-share plan. We have provided that because these are intertwined in terms of sharing amenities. If it is a condominium, you have common areas that have to be maintained. There would have to be an equitable cost-sharing agreement entered into between the developer for the withdrawn properties and the

association. The costs of amenities and common areas would be shared equitably between the developer and the association.

The concept is to remove the burden of this maintenance from the association—which cannot afford it and does not need it—and put it onto the willing developer because the developer has to consent.

I will go through one technical correction next. There is a term used "interest in a time share." It is not really an interest in a time share, it is an interest in real property. It is an interest in the project. The term used in NRS 119A is project. I would like to discuss that with the Legislative Counsel Bureau. The time share itself is the interest in real property. You cannot say it is an interest in an interest, it is an interest in real property. I would like to suggest the language be changed to "interest in a project."

The amendment, Exhibit D, has to do with additional consumer protection we would like to see in S.B. 176. They fall into three categories, which I will discuss briefly, and then I will walk you through the amendment, Exhibit D.

First: A person has bought a fixed unit, in other words you bought Unit 4. This occurs when you have a fractional ownership, as a quarter share where you bought this particular unit. You use that unit all the time. That is the only unit you use. Your rights do not float around the project. If you have a fixed unit, the fixed unit would be excluded from any relocation. If you bought that unit, you get to keep that unit.

Second: If you bought in a fixed week, say New Year's week in Las Vegas, or if you bought in a particular season, summer at Lake Tahoe, the available unit pool in the substituted parcel or unit would have to include the availability of that fixed week tied to your time share, or the availability to reserve within that season. That is the second additional consumer protection we have added.

Third: The 10-percent owner vote that I previously described would exclude the developer vote. You would have strictly owners voting on this relocation. You would have no developer vote mixed in with the owners. Generally, developers are considered owners under the time-share instrument. In section 1, this amendment adds a definition for fixed-unit time share where the use rights are in one designated unit.

Section 2 of the amendment provides a definition for fixed week. It adds a twist because, oftentimes, in a fractional project, you will have a rotating set of fixed weeks where one calendar year you use this set of fixed weeks. The next calendar year you use another set of fixed weeks. If it is a rotating calendar, it would still be considered a fixed-week time share, and you would still be guaranteed the use in your fixed weeks.

Section 3, subsection 1 paragraph (d) on the first page of Exhibit D states it is not a fixed-unit time share. That is new. You could not relocate a fixed-unit time share.

The other amendments I described in section 3, subsection 2 of the amendment would require a fixed-week time share and a time-share season be honored.

Subsection 3, paragraph (a) would exclude the developer vote from the 10-percent vote. I would note the existing regulations for ongoing sales. The *Nevada Administrative Code* requires that any material change in the time-share plan be reviewed and approved by the Real Estate Division.

If a developer has a current public offering statement for a project in sales, the statement has to be amended. That amendment would have to be reviewed and approved by the Real Estate Division. A new public offering or amended public offering statement would have to be issued. That additional oversight to this program would be a backstop to any problems with misuse of the intent of this legislation.

CHAIR CARE:
Ms. Dennison, I want to see if I understand your testimony. Suppose a time-share building has 100 rooms. The developer has sold multiple sales of time shares. When times are good 90 of the 100 rooms are being used. Now, you have people who have bought time shares who are not making their payments. You foreclose on those. You have fewer people coming, you do not need to use all 90 rooms. Maybe you only need to use 25. You are saying we confine the use of the building to 25 rooms over here in a central location, with the exception of those people who say we always stay in Room 1, we always come here for a particular week and we always stay in Room 1, we spend an inordinate amount of time in Room 1, more than a week a year. Is that fundamentally it?

MS. DENNISON:
If you bought Unit 1 on a fixed-unit basis where you use one designated unit every year, that means you have a fixed week because there would be 51 or 52 other owners in that unit. You have a fixed week and a fixed unit, you get to keep that fixed unit. That unit could not be withdrawn from the time-share plan.

CHAIR CARE:
Because I do not live in the world of NRS 119A, it seems you could do this anyway if you are not going to disturb the people who bought into Unit 1. A vote has already been taken, but it requires a change in statute or you would not be here.

MS. DENNISON:
Yes. Mr. Mullen would like to speak to that issue.

FOSTER MULLEN (President, Q M Corporation):
To answer your question, the reason we are here is if a vote is taken, people have an undivided interest in a piece of property, not so much as the unit, because their time is floating within the units. You are trying to move those individuals from one parcel to another parcel or from one condominium to another condominium. The way the law is, they have to give their consent to be moved from one place to another.

Senate Bill 176 would give us the ability to take that inventory or identification number for the undivided interest and change it with an identification number of a like-kind unit over in Parcel 1 or in a different condominium.

Ms. Dennison was referring to fixed weeks a person may have bought. There are different levels of time shares. Some time shares people own, such as Thunderbird Resort Club, float inside the system. They have use of any rooms inside the resort. When they make their reservations, a person is given a one-bedroom unit. That is considered a right to use or a floating week.

We have another project at Lake Tahoe where a person bought Week 51 at Christmas in a specific unit, and owns that specific week, that specific time and unit. The person cannot be, under S.B. 176, moved from that property to another unit. Senate Bill 176 would not cover those people, as those people bought their time share to a specific unit for use on a specific week. They would not fall under this.

To better explain this, we have a project, the Thunderbird Resort Club located in Sparks. It has 158 units, which has approximately 8,058 weeks in this complex. It is on two different parcels. The people who purchased into this time share own a one- or two-bedroom unit. They are given all different units. They never usually stay in the same unit unless they request to stay in that unit.

We have foreclosures scattered throughout the ten-acre parcel. There are approximately six foreclosed time shares attached to each one of the units. We are trying to consolidate all of those time share units, bring them over to one area of the resort and then de-annex that portion of the resort to relieve the homeowners' association of ongoing maintenance dues related to the foreclosed weeks. It would not affect anyone's use or enjoyment of the property and would not force homeowners to continue their maintenance fees on weeks no longer used or owned by anyone.

CHAIR CARE:
Ms. Dennison, NRS 119A may be unique to Nevada or there may be similar statutes in other parts of the country. Are you aware of other states that would be considered time-share destinations where there is similar or at least the contemplation of such legislation? What is happening here is happening in Florida and parts of California, maybe Idaho.

MS. DENNISON:
I am not aware of any other pending legislation. I have been on the telephone with representatives of Marriott, Resort Condominiums International (RCI), Wyndham and some of the larger time-share developers. Wyndham Worldwide/RCI, which is one company, has expressed an interest in looking into this in other states where they operate as a solution to the burden put on associations. It goes further than the people who have bought into a project. They buy in order to exchange. The RCI is an exchange company.

If you do not maintain your resort standard, whatever level you have been assigned, you are not able to exchange into the same level. If you are downgraded, your exchanges are downgraded. It permeates the whole system if you have a project that cannot afford to maintain itself. If dues were raised in Thunderbird Resort Club's example, they are looking at, perhaps, a 25-percent increase, which does not seem like a lot, but when this is not a necessity of life, it precipitates more foreclosures. More people are choosing between buying the

groceries and paying that extra money per year for their vacation. The choice is an easy one, they let their vacation go.

We are concerned this is going to get worse before it gets better.

SENATOR WIENER:
I had heard the 10-percent of members, and then I heard 10 percent of owners. For the purposes of that vote, are they considered one and the same?

MR. MULLEN:
Yes.

SENATOR WIENER:
Ms. Dennison, you mentioned receivables and the paper, and it is very difficult with the financing piece. Would a property consolidation, as you are proposing in this legislation, present financing opportunities in a tight market? Would borrowing the financial help affect financing in other ways besides not maintaining all property the way you would if people were scattered?

MS. DENNISON:
It is hard to speak for the lenders, but to my knowledge, no lenders lend directly to the time-share owner. The time-share developer finances the time-share purchase, packages the time-share receivables, signs a note and pledges those receivables to a lender. In terms of affecting the financing, the developer can deal with that issue if the lender is concerned with the downsizing. Maybe it is favorable, maybe it is not, but the developer, in most time shares, would deal with this lender in terms of the collateral, the collateral basis shifted from this parcel to that parcel. That developer issue would have to be ironed out and resolved before anything like this could go forward.

CHAIR CARE:
Ms. Dennison, the third paragraph in the letter dated yesterday from Mr. Torres of Thunderbird Resort Club, Exhibit E, includes this statement:

> The problem we are now faced with is to have all of the homeowners in the area of the resort that has been proposed to be removed from the timeshare, to relocate their timeshare weeks to a different area of the resort. This will have no impact on their vacation or their original purchase. If just one owner refuses to

> move, all 6,500 homeowners will be impacted by that one individual decision.

That is a reference to the higher association dues for the maintenance costs. Absent this bill becoming law, somebody could say I am not moving somebody who comes to the resort once a week who does not necessarily have a specific room that he/she wants to stay in?

MS. DENNISON:
That is correct. One owner could hold up the whole relocation process. To clarify, this vote was to amend the covenants, conditions and restrictions (CC&Rs) which did not allow withdrawal of a parcel from the time-share plan. It only allowed annexation in but not withdrawal. This is the first step for this project in terms of accomplishing their goal, which is to downsize. When the vote was taken, the entire program was laid out with this as the first step. The next step is to move all owners from one parcel into another parcel. It is correct that without this bill, one or two owners could hold up the entire program and make it not be feasible.

CHAIR CARE:
Senate Bill 176 would obviate the need to amend any CC&Rs on this particular issue?

MS. DENNISON:
Yes. I believe it would. It goes beyond the CC&Rs in that the CC&Rs simply govern maintenance, they do not necessarily speak of relocation. They speak of annexation of properties and de-annexation, bringing them in, taking them out. They normally neither speak of relocation once someone has been deeded into a particular parcel nor relocation to another parcel within the same time-share plan.

CHAIR CARE:
Is this the subject of any pending litigation S.B. 176 would impact?

MS. DENNISON:
No.

SENATOR PARKS:
Reading the letter from Thunderbird Resort Club, the request was to develop a plan that would consolidate the foreclosures into one area. What was the purpose of moving them into one area?

MR. MULLEN:
Right now, the foreclosed weeks are scattered throughout 158 units or across two different parcels. Consolidating the units into one area allows that area to be de-annexed from the rest of the time share. Whatever that parcel or unit is used for in the future will not impact homeowners staying there.

The way the different foreclosed units are, we have Parcel 1 and Parcel 2. We need to move all traditional owners off Parcel 2 over to Parcel 1 in order to de-annex that portion of the property and to put a fence up so if it turns into apartment buildings or changes use, the owners of the time share are not impacted. You would not want to have salt and peppered units throughout the property that were turned into apartment buildings. The whole concept is to move them over to one area of the property that can be carved out of the time share.

SENATOR PARKS:
You would put it to another use, especially due to the fact that time shares are rather difficult.

MR. MULLEN:
At this point in time, time-share sales are very difficult.

SENATOR PARKS:
Would you retain the ownership, would you sell?

MR. MULLEN:
Our thoughts are not to sell the property but to leave it in a dormant state or use it as apartments. We will allow that apartment use to go on. After we are through this recession we will see what the marketplace looks like and then possibly refix those units, bring them back into the time share and sell them as time shares again.

SENATOR WIENER:
The fixed unit—they bought that specific week, they own that, they happen to be in Parcel 2—it is in the salt and pepper description, that unit is theirs. It could be that building. If you choose to rent units as apartments, could there conceivably be time-share pieces in that rented facility?

MR. MULLEN:
Thunderbird Resort Club is a floating week within the units. The Thunderbird Resort Club is an undivided interest in the property with the right to use in the units. There is another type of time share.

MS. DENNISON:
Maybe I can clarify—there are two concepts. One is a fixed unit, and that is very, very rare. But if you bought a fixed unit, that unit could not be included. That would not be Thunderbird's case because they do not have fixed units.

SENATOR WIENER:
When we legislate, we do not legislate to one person. If we do this with the fixed and there are two parcels, you have made a business decision from the floating concept that no one in your properties has fixed units. You made the decision so it would be easy to segregate the two properties, one from the other; you could do something else in terms of the economy to maximize the use of the property.

Say it is not the Thunderbird Resort Club, it is something else. They have two parcels, and there are five fixed ownerships. If a conversion is anticipated to maximize the use of Parcel 2, by turning them into apartments or letting them go dormant because of the cost of maintenance, you want to shift everybody to Parcel 1. But there are five with fixed units. You are still responsible for a level of maintenance. Those people have that unit for that week.

We have to do policy bigger than one property. That has got to be a business decision knowing we have the five fixed units. What do we do now because you cannot move them from what they bought? We want to shut one down and reconstruct our business plans so it is a rental and then fix it up and try to sell it when the market is better. In that scenario, if the five units were not floating, the area would have to maintain to a standard the owners had purchased.

In order for us to do policy, we have to keep that in mind. We are not driving policy for one business. Addressing fixed units could be a conceivable challenge.

MS. DENNISON:
That is true. There could be a situation where you have a high-rise condominium complex where fixed units are sold. Those fixed units would still remain intermingled with the time share. The cost-sharing agreement would take care of maintaining the standard for the entire building. It has got to be an equitable cost-sharing arrangement.

SENATOR WIENER:
In terms of cost-sharing, there are 5 units in that particular parcel with 50 units per parcel, 1 out of 10 cost-sharing in order to maintain the level of amenity the owner purchased. Does that mean more is shifted to them because there are fewer owners? Say I paid $100 per month and now there are only 5 of us out of 50, I end up paying $500 per month in order to maintain the unit I bought at the level purchased in terms of the amenities. What does cost-sharing and equity mean in that environment?

MS. DENNISON:
In an equitable cost-sharing arrangement, if you had 50 units and 5 that were fixed, you have 50 or 51 owners per those 5, and all owners share per unit. It would be ratable sharing where every unit pays the same amount to maintain the common areas and amenities.

MR. MULLEN:
If a developer did that in conjunction with the homeowners' association, the plan would have to be approved by the Real Estate Division of the Department of Business and Industry to make sure there was an equitable cost-sharing or a new budget formed for that association. The Real Estate Division would have control in saying how the new property report would deal with those units.

SENATOR WIENER:
The new budget might mean we do not maintain it at the same level. Doing the math, if you have 5 and 50, they are going to need a tenfold increase to maintain the level at which they were purchased.

MR. MULLEN:
They look at 50 units and 5 units, and everyone has to pay their equal or proportionate share.

SENATOR WIENER:
To maintain it as though it were 50 and you have 5, would be a tenfold increase if it were maintained at full capacity.

MR. MULLEN:
Your developer would have to pay for 45 units, or 45 weeks of maintenance fees. The other five owners would have to pay their fixed maintenance fees for each of those weeks.

SENATOR WIENER:
That is the disadvantage of having a fixed ownership.

MR. MULLEN:
It would stay the same, but it would be ....

SENATOR WIENER:
Because the developer is still the owner of the others.

MR. MULLEN:
Right.

SENATOR WIENER:
Does that mean the foreclosure goes back to the developer as owner? Is that how that works when they foreclose or does it go to a bank?

MR. MULLEN:
It depends on if the bank owns the paper on the property or how it was structured on the loan they originally purchased.

SENATOR WIENER:
It could be that the bank has half of those foreclosed units and the owner is required to come up with the ...

MR. MULLEN:
Yes.

SENATOR SCHNEIDER:
You are selling 52 weeks or normally 50, and some of those time shares sell half weeks. You can end up with 100 owners for one unit. If you have 10 units sold, you have 1,000 owners. For many of these time shares, we are talking 10,000 to 20,000 owners. It gets back to the question the Chair asked Ms. Dennison: What if one or two people object? You are trying to maintain the property, and the developer has taken back paper. That is the reason we bring this forward. In any homeowners' association, you get a certain number of people who will not go along or vote. That is the reason for this. It is to save the properties.

Mr. Mullen is stepping forward as a good developer trying to save the property. When Mr. Mullen or the other developers sell these units and create paper, people put down 10 percent. They buy something for $10,000, they put $1,000 down, and then the developer carries the paper. They bundle that and sell it to someone, but the developer guarantees that paper. If it goes bad, the developer has to make that paper good to the buyer or replace it with a new sale. It is a complicated situation, and you are dealing with tens of thousands of people.

This is a way to save these projects and make them go forward. In Las Vegas, as the ownership falls and reduces, you can change a floor out and make it a hotel room and keep the project going, rather than dedicating them for the time share. You can move on and get through this recession. It is all under approval by the Real Estate Division.

SENATOR WIENER:
Speaking in the thousands, where did the 10-percent approval come from?

MS. DENNISON:
Ten percent came from the nonprofit statute which is the minimum quorum requirement for a nonprofit corporation. It came out of the air but also through experience. This was an unusual turnout for Thunderbird Resort Club. I am amazed he got a 75-percent vote to amend the CC&Rs. Generally, if you can get 10 percent of the people in a time-share project to vote on anything, you are doing well.

SENATOR WIENER:
In creating change is it 50 percent plus 1 percent? It would be 5 percent plus 1 percent? Is that what it takes to create a change?

MS. DENNISON:
It intends the percentage that votes in favor of the relocation be the same as the minimum percentage of the voting power which constitutes a quorum, so it would be 10 percent. You do not get a quorum of 10 percent and then take a majority of the quorum. The minimum percentage would have to vote in favor, and that percentage which constitutes a quorum is 10 percent. We could have simply said 10 percent need to vote in favor.

GAIL J. ANDERSON (Administrator, Real Estate Division, Department of Business and Industry):
The Real Estate Division is in support of S.B. 176. In particular, I did have an opportunity to review Ms. Dennison's proposed amendment, Exhibit D, to S.B. 176, and the Real Estate Division is also in support of that.

I had an opportunity to see the Proposed Amendment 3457, Exhibit C, also brought forward. The only area I would ask for your careful consideration is the deletion of language concerning an equitable cost-sharing agreement section 1, subsection 5 of S.B. 176.

The proposed amendment, Exhibit C, under section 1, subsection 5, paragraph (c) excludes the developer from paying into association dues. That puts the burden on the unit owners or interest owners to pay all association support fees, to reallocate them among only the owners, excluding the developer. That is something to look at carefully when you go through the amendment.

Regarding the association to support common areas in NRS 119A, the time-share sales law is exempt from NRS 116 association rules. The Division does not have any part of those associations and their government, I wanted to put that on the record as well.

The Real Estate Division does support allowing the developer flexibility in this particular issue, but we want to be sure that owners who are neither defaulting, nor in foreclosure do not bear the sole responsibility for the cost of maintaining the remaining common areas. The common areas are not withdrawn, only the

units. We do support the concept and will be involved with Senator Schneider, Ms. Dennison and anyone working this issue.

SENATOR WIENER:
Thank you for offering your assistance, we might need more massaging on S.B. 176. We will close the hearing on S.B. 176. The Committee is adjourned at 9:32 a.m.

RESPECTFULLY SUBMITTED:

Judith Anker-Nissen,
Committee Secretary

APPROVED BY:

Senator Terry Care, Chair

DATE: