

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON JUDICIARY**

**Eighty-First Session
May 5, 2021**

The Committee on Judiciary was called to order by Chairman Steve Yeager at 8:35 a.m. on Wednesday, May 5, 2021, Online and in Room 3138 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/81st2021.

COMMITTEE MEMBERS PRESENT:

Assemblyman Steve Yeager, Chairman
Assemblywoman Rochelle T. Nguyen, Vice Chairwoman
Assemblywoman Shannon Bilbray-Axelrod
Assemblywoman Lesley E. Cohen
Assemblywoman Cecelia González
Assemblywoman Alexis Hansen
Assemblywoman Melissa Hardy
Assemblywoman Heidi Kasama
Assemblywoman Lisa Krasner
Assemblywoman Elaine Marzola
Assemblyman C.H. Miller
Assemblyman P.K. O'Neill
Assemblyman David Orentlicher
Assemblywoman Shondra Summers-Armstrong
Assemblyman Jim Wheeler

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None



STAFF MEMBERS PRESENT:

Diane C. Thornton, Committee Policy Analyst
Bradley A. Wilkinson, Committee Counsel
Karyn Werner, Committee Secretary
Melissa Loomis, Committee Assistant

OTHERS PRESENT:

Tyler Klimas, Executive Director, Nevada Cannabis Compliance Board
Karin Cronkhite, Health Program Manager II, Nevada Cannabis Compliance Board
Ashley Jeppson, Administrator, Plant Industry Division, State Department of Agriculture
Marla McDade Williams, Senior Director, Strategies 360-Nevada
Justin Harrison, Principal Management Analyst, Clark County
Jim Anderson, Chief, Code Enforcement, Clark County
Lisa Logsdon, Deputy District Attorney, Civil Division, Clark County District Attorney's Office
Steve Walker, representing Carson City and Storey County
Jamie Rodriguez, Government Affairs Manager, Office of the County Manager, Washoe County
Vinson Guthreau, Deputy Director, Nevada Association of Counties
A.J. Delap, Government Liaison, Office of Intergovernmental Services, Las Vegas Metropolitan Police Department
Arielle Edwards, representing City of North Las Vegas
Louis Koorndyk, Cofounder, Greater Las Vegas Short-term Rental Association
Phyllis Gurgevich, President and Chief Executive Officer, Nevada Bankers Association
Wiselet Rouzard, Director of Grassroots Operations, Americans for Prosperity Nevada
Sylvia Smith-Turk, Chair, Legislative Committee, Nevada Land Title Association
Teresa McKee, representing Nevada REALTORS
Brian Reeder, representing Nevada Credit Union League
Jonathan Gedde, Chair, Nevada Mortgage Lenders Association
Mary Beth Heishman, Private Citizen, Las Vegas, Nevada
Linda Riegle, Private Citizen, Las Vegas, Nevada
Yvette B. Williams, Private Citizen, Las Vegas, Nevada
Zach Bucher, representing City of Las Vegas
Annemarie Grant, Private Citizen, Quincy, Massachusetts

Chairman Yeager:

[Roll was taken. Committee rules and protocol were explained.] We will move to our agenda. We have two bills, which we will take in order. I will open the hearing on Senate Bill 49 (1st Reprint).

Senate Bill 49 (1st Reprint): Revises provisions relating to cannabis. (BDR 56-268)

Tyler Klimas, Executive Director, Nevada Cannabis Compliance Board:

This bill is a housekeeping and cleanup bill for the Nevada Cannabis Compliance Board (CCB). It includes a few small changes. We have a proposed amendment [[Exhibit C](#)], and I will go over it once we finish with the bill as it is currently written.

Section 1 of this bill allows the Board to employ services of persons as it deems necessary to carry out disciplinary hearings. This is meant to ensure the part-time Board can continue to utilize an administrative law judge for hearings. This aligns with the Cannabis Compliance Board-approved budget that provides for a full-time administrative law judge to hear CCB matters.

Section 1.3 of this bill simplifies the process for serving complaints. The way the statute is currently written, the Board must vote blindly as a procedural matter on approving service of a complaint. This simply allows for the executive director to serve the complaint and does not change any part of the process thereafter. Also included in this section is a provision that allows for additional flexibility to extend the 45-day requirement for the CCB to hold a hearing after a licensee answers a complaint.

Section 1.7 recognizes that depositions are already allowed through the approval of the hearing officer and aligns this portion of the CCB disciplinary hearing process with provisions of the Nevada Administrative Procedure Act.

Section 2 of this bill takes authorizing language already included in *Nevada Revised Statutes* (NRS) Chapter 678A regarding waiver requirements and mirrors it in NRS Chapter 678B for consistency and clarity.

Section 3 changes the labeling requirements of cannabis products that are offered for sale to include the words, "This product contains cannabis." This is needed to account for and to align the verbiage with the new definition of cannabis products that is now included in NRS Chapter 678A.

Those are all the minor changes we have. I am happy to answer questions before we move on to the amendment.

Chairman Yeager:

Committee members, do you have any questions?

Assemblyman Wheeler:

It is a simple question: Why? What problems are you having that necessitate this bill?

Tyler Klimas:

Essentially, the CCB is a new agency. Assembly Bill 533 of the 80th Session created it. There are some things, such as clarifying language, that should have been in there but were

not. It is cleanup as we go through our first year. This is our first legislative session, so it is our first crack at coming back and making tweaks that should have been made or were intended to be made.

Assemblyman Wheeler:

You are not seeing any problems right now. You are looking toward the future. That is what I am getting out of this.

Tyler Klimas:

That is correct.

Chairman Yeager:

For new members of the Committee, we did pass Assembly Bill 533 of the 80th Session as Director Klimas mentioned. That was a very large bill; it had something like 194 sections. We received that bill very late in the legislative session, maybe in mid-May. We did the best we could with it, but it makes sense that they would have some suggestions for language now that the Cannabis Compliance Board is up and running. They were not up and running when we did the statute to create it because no one had been appointed to the Board yet. If you are interested, you can go back and look at the hearing.

Assemblywoman Cohen:

In section 3, subsection 1(a), what happens to packaging that has already been made—not just the packaging, but also the product with the old labeling?

Tyler Klimas:

There are several changes for packaging and liability, and we understand that some licensees had purchased a large quantity of packaging before COVID-19 and have a lot of it on hand. We have made a commitment on record at our Board meetings that we will work through a designated date. It cannot be forever—we do have to make these changes—but we are going to ensure there is ample time for licensees to work through their existing packaging before they have to make those changes.

Assemblywoman Summers-Armstrong:

Would you clarify what you mean by the executive director doing service? That is extraordinary.

Tyler Klimas:

The way the bill is written, the Board serves the complaint; however, the complaint is investigated by the CCB and the Office of the Attorney General. They recommend that a complaint be served by the Board. The Board, for due process, cannot see the complaint before they vote to serve it. At our meetings, if there is a complaint to be issued, they vote blindly on serving the complaint. Some of the Board members, including our chair—former Supreme Court Chief Justice Michael Douglas—put it on record that they wanted this change because it is procedural and it does not make sense for them to vote on something they do not see anyway. This would allow for the CCB and the executive director to make that issuance

of the complaint, which essentially happens anyway. It does not change any of the process thereafter. The respondent gets to respond to the complaint, and the process continues down the normal path.

Assemblywoman Summers-Armstrong:

It is not the act of service that would change as we know it; it is not that. It is to determine whether you are going to issue the complaint. That will come from you instead of the Board.

Tyler Klimas:

That is correct, but per the bill, it needs to be recommended by the Attorney General. The Attorney General makes a recommendation back to the CCB to go ahead with the complaint.

Assemblywoman Krasner:

In section 1, subsection 10, it says, "Employ the services of such persons the Board considers necessary for the purposes of hearing disciplinary proceedings." Does this mean the director or the Cannabis Board is going to be choosing and employing its own hearing officers to hear disciplinary proceedings against it?

Tyler Klimas:

Similar to other agencies—and our budget was approved to have an administrative law judge (ALJ) part-time on the Board—they need to utilize the services of an ALJ to be able to hear these cases. The Board is the final arbiter. The ALJ will hear the case, but the case comes back in front of the Board as a recommendation.

Assemblywoman Krasner:

It seems weird that the Cannabis Board is employing the hearing officer to hear the disciplinary proceedings against the Cannabis Board. If the hearing officer does not give a ruling that the Cannabis Board likes, does the Cannabis Board get to fire that hearing officer?

Tyler Klimas:

The ALJ is similar to other state agencies and how they are set up. We currently utilize the Department of Taxation's ALJ because we do not currently have one. I understand what you are saying, but this is consistent with other agencies and how they employ their ALJs.

Chairman Yeager:

Are there any other questions? I do not see additional questions on the bill as presented, so we will give you a chance to present the amendment. As Director Klimas mentioned, there is a one-page amendment that you can find on the Nevada Electronic Legislative Information System. At this time, he or his staff will present the amendment, and then we will take questions on the amendment.

Tyler Klimas:

I am going to invite Karalin Cronkhite to present the proposed amendment. She heads up the Cannabis Compliance Board Inspection Division (CCBI).

Before she comes up, I would like to say that this amendment is being proposed as a result of what we feel is an urgent health and safety issue that has only recently emerged in Nevada and across the nation. That is the prevalence of synthetically manufactured substances originating from hemp plants, which are readily available to individuals under the age of 21. These substances are being extracted and manufactured by utilizing a loophole in the federal regulations that our amendment will seek to close. We worked closely with the State Department of Agriculture and the State Board of Pharmacy on this language. Representatives from both agencies are here to help answer any questions the Committee may have. Nevada would join other states that are swiftly working to close the loophole regarding the synthetic manufacturing of delta-8-THC and other isomers you will hear about.

With that, I will turn it over to Ms. Cronkhite to present and explain the amendment.

Karalin Cronkhite, Health Program Manager II, Nevada Cannabis Compliance Board:

Hemp and cannabis are two regulated industries that provide tax revenue and many jobs for the state of Nevada. However, some producers—mostly from out of state—have developed a process to synthetically produce intoxicating substances from hemp, which are readily available to minors. The most popular substance is delta-8-THC; however, there are several other isomers of THC being developed that have similar intoxicating effects. These intoxicating substances are being presented as CBD products, and the consumer may not be aware that they will become impaired.

The intention of the proposed revisions is to prevent sales of intoxicating synthetic substances that are available to minors. These synthetic cannabinoids are produced by combining CBD with an acidic catalyst and then heating it, typically resulting in 70 percent delta-8-THC and approximately 30 percent unknown reaction byproducts. Unknown compounds represent unknown health consequences to the consumer. According to the Drug Enforcement Administration (DEA), U.S. Department of Justice, this is an illicit substance; however, since they do not define synthetic cannabinoids, there is a legal argument for some hemp producers to continue producing these items. Lack of federal clarity on the legality of THC isomers is where this stems from. We are working with several other states to try to close these loopholes nationwide.

This new process has created a competitive disadvantage to our licensed cannabis producers. Synthetic delta-8-THC derived from hemp is much cheaper to produce and is not held to the same strict testing requirements as cannabis. It is also available for minors to purchase. The ease of access to intoxicating substances to our youth is concerning. They are available in gas stations, grocery stores, and can be bought online with no age restrictions. The consumption of THC in youths and the effects it may have on the developing brains are also of concern.

The proposed amendment's definition of synthetic cannabinoids would clarify what is already listed as a controlled substance under *Nevada Administrative Code* Chapter 453. Many establishments within the state of Nevada believe all hemp-derived products are legal and are familiar with the Food and Drug Administration (FDA) loophole only addressing the limit on

delta-9-THC. Adding this to state law makes it very clear that synthetic cannabinoids are not allowed in Nevada. We have found that operators are not reviewing the list of controlled substances because state law allows for hemp, and federal law does not specifically prohibit synthetic cannabinoids such as delta-8-THC.

The proposed minor revision to the definition of hemp in NRS 557.160 gives the State Department of Agriculture more flexibility to comply with federal limits while still adhering to Nevada's definition of THC, which includes all isomers of THC and not just delta-9. This would close the loophole that the FDA unintentionally left open when only limiting the allowable concentration of THC to delta-9. It allows our state to be in line with the DEA's opinion that synthetically derived cannabinoids, such as delta-8, are illegal. Additionally, the proposed revision to the definition of marijuana in NRS 453.096 allows the State Board of Pharmacy to set upper limits on the amount of THC that can be present in a single package for hemp-derived products. Hemp was intended to be the non-intoxicating form of cannabis; however, there is no upper limit for the amount of THC that can be present in a single package of hemp-derived consumable products. This is true for both naturally occurring and synthetic THC. As long as the amount of THC in a package does not exceed 0.3 percent of the total weight, it is currently allowed. For cannabis, the potency limit for packaged edible cannabis products is 10 milligrams per serving and 100 milligrams per package. Currently, a can of hemp-derived soda could contain as much as 1,000 milligrams of THC and still be within the legal limit, based on weight alone. That is ten times what is allowed for an adult cannabis consumer.

This proposed amendment [[Exhibit C](#)] addresses the fact that these hemp-derived products could potentially contain as much as ten times the intoxicating effect of an adult-use, edible cannabis product. While that currently does not seem to be an issue in Nevada, we would like to prevent it from becoming common practice. We are already seeing a public health crisis evolve with synthetic cannabinoids. There have been two reports from poison centers in other states: one involving two adverse reactions in adults who thought they were purchasing CBD, and two cases of children who were admitted to the intensive care unit after ingesting their father's gummies purchased at a vape shop. The children experienced deep sedation, slowed breathing, slowed heart rate and blood pressure, and received oxygen supplementation.

We must be reminded of the e-cigarette and vaping lung injury outbreak that peaked in 2019 and resulted in nearly 3,000 hospitalizations and 68 deaths nationwide. These mostly stemmed from unregulated products from illicit or informal sources. Vitamin E acetate was one cause of this outbreak, and recall of these products was an issue due to the lack of oversight and labeling of the involved products. This language, if approved, will reduce the number of operators who think they are being compliant and will get these intoxicating substances off the shelves.

The CCB worked in coordination with the State Department of Agriculture and the State Board of Pharmacy on the proposed revisions, and they are available today to answer any additional questions you may have.

Chairman Yeager:

You mentioned that other states are considering similar legislation with respect to delta-8-THC. Do you know what other states have passed laws or are considering doing so? Some states are not in session right now, but if you are able to give us a level of some of our neighboring states, that would be helpful.

Karalin Cronkhite:

I know that Oregon is working on language, as well as North Dakota. We worked closely with North Dakota, and our language is very similar. I am sure there are several other states, but I do not have a list with me. I think Utah is also proposing language.

Chairman Yeager:

Are there any questions from the Committee on the proposed amendment?

Assemblywoman Kasama:

I am looking at the section in NRS 557.160 where it says, "'Hemp' defined." Section 1 has the extensive meaning. Section 2 says, "'Hemp' does not include any commodity or product made using hemp." Do we not need to have, "Except as noted in section 1"? It just says that hemp does not include any products, but above that it includes all these things. It seems contradictory.

Tyler Klimas:

We can look at that with the Legislative Counsel Bureau's Legal Division. Subsection 2 would talk about it not including any commodity or product made using hemp. It is after it leaves the plant and what they can make. We are not the experts on hemp. We do have Ashley Jeppson from the Department of Agriculture to help clarify that.

Ashley Jeppson, Administrator, Plant Industry Division, State Department of Agriculture:

Yes, NRS Chapter 557 is specific to our regulations, which involve the actual registration of those people growing hemp. Here, with the Department of Agriculture's statutory authority, it ensures the term "hemp" is not used loosely for any CBD products. Essentially, an extracted product or an end-consumer product that is in a processed form, the term "hemp" would not apply to those. This definition is exclusive for actual crop production. It expands on the definition of "hemp" in the CCB statutory authority.

Chairman Yeager:

Are there any further questions on the amendment? I do not see additional questions. We received this amendment this morning, so if you have questions after the meeting, please ask those questions. We are only in session for another 25 days, so if we do not have a chance to address this now, it will be another two years. I do not want to put our youth and consumers at risk of a substance I believe—based on my research—has some potentially serious public health implications.

We will take testimony on the bill, then have you give concluding remarks. I will open it up for testimony in support of Senate Bill 49 (1st Reprint). Is there anyone who would like to testify in support? [There was no one.] I will close testimony in support and open testimony in opposition. Is there anyone who would like to testify in opposition? [There was no one.] I will close opposition and open neutral testimony. Is there anyone who would like to testify in the neutral position?

Marla McDade Williams, Senior Director, Strategies 360-Nevada:

I am here to discuss section 2, subsections 1 and 4, on the issue of 5 percent or less ownership as it relates to the amendatory language and the required registration or application. These provisions apply to any owner, officer, or board member, and if I understand correctly, the amendatory language is intended to have these provisions apply to publicly traded companies. We believe the language may be appropriate for an individual person who is an owner, officer, or board member, but it is insufficient for a publicly traded company. It may even be in conflict with NRS 678B.210, which, in subsection 4, requires "each person who is proposed to be an owner, officer, or board member" to submit an application and comply with certain provisions of Nevada's cannabis laws. It is not clear how the requirements for ownership can be waived when these provisions remain in the statute. The consequence of this morass is that companies making all efforts to comply face penalties when they are caught in the middle of conflicting expectations. Further, it becomes a lot of work for the staff of the CCB as well as the members of the Board. In fact, at last week's meeting of the CCB, the Board spent about an hour discussing one company and the various shares transfers, and there will be further discussions at the May meeting of the Board about this same company.

When this bill was on the Senate side, we had daily conversations with Director Klimas and chief investigators to discuss solutions to the issue of publicly traded companies in hopes of proposing an amendment that would better reflect how to manage investigations related to publicly traded companies. We were not able to come to a resolution, but Director Klimas committed to working on solutions during the interim. We appreciate that and hope it results in solutions that are fair to publicly traded companies and do not continue to penalize them or require adherence to rules that may not yield value to the CCB or the industry.

Chairman Yeager:

Is there anyone else who wants to testify in the neutral position? [There was no one.] I will close neutral testimony and invite Director Klimas back for concluding remarks.

Tyler Klimas:

I have no concluding remarks other than thank you for the opportunity to be here.

Chairman Yeager:

I will close the hearing on Senate Bill 49 (1st Reprint). That takes us to the second bill listed on the agenda, Senate Bill 57 (1st Reprint). I will open the hearing on that measure at this time. I will let the Committee know there is a proposed amendment from Clark County that is friendly, since it is from the sponsor [[Exhibit D](#)]. I think there is another amendment also

listed on the Nevada Electronic Legislative Information System, but I do not know if it is friendly [[Exhibit E](#)]. There are a lot of folks registered to speak on this bill, so make yourself comfortable.

Senate Bill 57 (1st Reprint): Revises provisions governing the imposition of certain special assessments by a board of county commissioners or a governing body of a city. (BDR 20-403)

Justin Harrison, Principal Management Analyst, Clark County:

As the Chairman mentioned, there is a proposed amendment [[Exhibit D](#)] that you will find on the Nevada Electronic Legislative Information System (NELIS). In addition, Jim Anderson, our county code enforcement administrator, will be giving the second part of the presentation, in addition to Lisa Logsdon from the Clark County District Attorney's Office.

We have prepared a short presentation to help the Committee understand the impetus for the bill [[Exhibit F](#)]. We will give a brief overview of the changes that are being considered to *Nevada Revised Statutes* (NRS) Chapter 244 and Chapter 268. We mentioned the conceptual amendment that you will find on behalf of Clark County that is friendly. There is an unfriendly amendment, also posted to NELIS, that we have not accepted [[Exhibit E](#)]. The amendment from Clark County was developed from conversations with stakeholders as well as your colleagues on the Senate side, namely Senators Ohrenschall and Neal.

As a little background, the idea for Senate Bill 57 (1st Reprint) was directly driven from constituent complaints and the frustrations of members of our board of county commissioners as they received and continue to receive complaints about specific repeat violations of county code from constituents in their respective districts and the inability of the county to take further action to gain compliance with local ordinances.

As a brief overview, Senate Bill 57 (1st Reprint) would give permissive authority to counties to establish ordinances to make a special assessment on the tax roll for certain unpaid fines and fees for violation of a county ordinance [page 2, [Exhibit F](#)]. These special assessments could then be collected through the property tax process. Section 1 of the bill makes these changes. The proposed amendment narrows the scope of the bill for adding special assessments to the tax roll to include only violations of transient lodging laws, illegally operating short-term rentals, and abandoned properties. In addition, a provision has been added [section 1(2)(c)] to extinguish the special assessment upon compliance for 180 days.

Sections 2 and 3 would eliminate the time frame requirements of 180 days or 12 months as set forth in NRS 244.3603 and NRS 244.3605. Conforming changes are also made for incorporated cities governed under NRS Chapter 268. In short, only violations of county codes in these specific categories with fines over \$5,000 would be eligible for a special assessment for civil penalties to be imposed.

I want to be very clear from the onset. The intent of the bill is not to force people out of their homes. I know there has been concern about that. That is not the intention. The counties

work extremely hard, especially under the current economic conditions that our state faces, to keep people in their homes. What our board is looking for is the ability to address a matter of local concern, to be responsive to constituent complaints, and to bring those choosing not to observe local ordinances into compliance. The intent of the bill is just that: compliance.

I turn your attention to the slide on the screen [page 3, [Exhibit F](#)] or on NELIS to give you some perspective on the number and types of complaints that our code enforcement officers received during the last calendar year. This slide provides annual representation of violations related specifically to property. It is broken down by the number of fines, the number of cases open, and the percentage of cases resulting in fees by unique addresses. There are properties and addresses that receive multiple fines for noncompliance as they continue to be in noncompliance. In calendar year 2020, the total number of cases opened by the Clark County Code Enforcement was 10,620. The number of unique properties to which fines were issued was only 1,101. This is roughly 10 percent of folks who were unwilling to come into voluntary compliance. There is a high rate of voluntary compliance by those property owners whom code enforcement goes out to meet to address the situation; however, some of our repeat offenders and bad actors will not come into voluntary compliance. By narrowing the provision of this bill to the two categories in the amendment as well as the \$5,000 threshold, we have found—from going through the last three years of code enforcement data—roughly 100 properties that would fall within the scope of the special assessment. This is not a broad or far-reaching bill. It is targeted, through the amendment, to specifically address repeat offenders and those who are unwilling to come into voluntary compliance.

With that, I will turn the presentation over to Jim Anderson from County Code Enforcement to take you through the types of violations and to get into the specifics of how the process takes place within code enforcement.

Jim Anderson, Chief, Code Enforcement, Clark County:

I want to explain our code enforcement process to you as I get started. As Mr. Harrison mentioned several times—and we talk about this all the time in our office—voluntary compliance is always our goal with all cases. The second thing that is important to point out is that we are a reactive agency. All complaints that we respond to are because someone took the time to find our phone number and to call us with their concerns about what is going on in their neighborhoods.

I want to walk you through an example of our enforcement process with a short-term rental case [page 4]. When we receive a complaint of a short-term rental in a neighborhood, the first thing we do is to verify that the complaint exists. We do this through inspections of the property and trying to contact the property owners. Once we confirm that short-term rental activity is occurring, we send a 30-day rehabilitation notice to get their property into compliance. At this point, the owner can appeal the notice. They can request an administrative hearing through our office. Once the hearing is complete, if they are not satisfied with the outcome of the hearing, they can also request a judicial review through the courts. At the end of that time frame, we will continue to check the property to see if they

have come into compliance. If we can confirm that the violation continues after the notices expire, we will issue a civil penalty to the property owner. We will issue a fine to them. Once the fine is issued, they still have the same due process to appeal the citation. They can request an administrative hearing and, depending on the hearing results, if they are not satisfied with that, again, they can request a judicial review. Once that goes through the process, if it is upheld, a lien is ultimately placed on the property. We continue with the process of conducting inspections and issuing civil penalties if the violation continues.

The challenge we have with short-term rentals is that it oftentimes takes multiple inspections to prove a violation exists. The officer goes to the property and knocks on the door to contact someone. We may receive additional complaints from other neighbors. We are continually checking these properties. Some of the cases that have been going on for a long time have more than 100 inspections conducted on them.

Any time in this process, if the owner calls and says they would like to come into compliance but they need additional time or want to discuss it with us, we stop our enforcement actions and work with them. We help them get their property into compliance.

Why are we asking for this bill? Why do we need this? We can get a vast majority of our cases into compliance through education and discussing the ordinances with them. No abatement action is necessary, and there are no civil penalties issued. We do have some cases—and short-term rentals are one of them—where abatement is not an option. The challenge we have is that liens on the property do not always work. Many of these property owners are investors. Their intention is not to sell these properties in the near future. If they are not going to sell the property, the liens do not need to be paid until such time that they do sell the property. Some of the properties have multiple cases that have gone on for years. They have pretty hefty fines levied against them, yet they continue to operate.

A couple of examples of other types of cases we are dealing with are chronic nuisances, dangerous conditions, and abandoned buildings. I believe we have slides for those [pages 5 and 6, [Exhibit F](#)]. These are the cases that we are continually responding to. Oftentimes, we have squatters who have moved into abandoned buildings and are living in those homes. We are continually responding to, boarding up, and securing those properties. Perhaps those properties need to be demolished, and we are working with the owners to get them to do it. They may only need significant rehabilitation. A lot of property owners buy the properties as investment properties and are not interested in investing money to get them back into livable condition. They are content with holding onto the property in this condition until such time that they can turn around and resell it. In these cases, we can issue civil penalties for these violations. The challenge we have with collecting the penalties is that for a chronic nuisance case, we must wait 180 days before it can be placed on the tax roll. If it is abandoned property, we need to wait 12 months to place it on the tax roll.

What we have seen in some of these cases is that we send our collection notices to the property owners, and oftentimes, they will quitclaim deed the property to another family member or put it in a different name. They avoid paying the fines, all the while not doing

anything to correct the conditions of the property, which creates a nuisance in the neighborhood, a burden on law enforcement as they respond to squatter complaints, and the use of code enforcement resources as well, as we continue to board up these properties.

The other type of case I want to talk about in more detail is short-term rentals [page 7, [Exhibit F](#)]. Short-term rentals are currently not allowed in unincorporated Clark County, but we have many of these operators who continue to host short-term rentals on their properties even though they have been asked to shut down. The challenge is that it is difficult to prove. We respond to these properties multiple times to get them into compliance. These property owners often coach their renters not to talk to code enforcement if they come to the door, and if they do come to the door, to tell them you are a family member. We have seen a sign inside the door regarding what to tell code enforcement or law enforcement if they come to the door about why they are staying on the property.

They go to great lengths to avoid our being able to prove the violation. We have had folks hand us fake leases for the property, saying they are staying there longer than 31 days. The big challenge with short-term rentals is that a lot of these properties can be a huge disruption in the neighborhood. We have folks who come from out of town who want to come to Las Vegas and have a good time, but the problem is that they bring the party mentality they might have if staying in a Strip resort, where it is appropriate, into the neighborhoods. Oftentimes when you talk to the renters, they say they are only there for a weekend. That is fine, but it is going on every weekend and during the week. Folks who live directly around the properties can be hugely impacted.

This bill targets the worst of the worst offenders, those properties where we are continually getting complaints from the neighbors and where law enforcement is continually responding. Our fines are not working.

Currently, there is other legislation being proposed which would require Clark County to permit and regulate the short-term rentals. I want to point out that the data across the country has shown that in the best regulated and permitted jurisdictions where they have very successful efforts at permitting these properties, they are still only getting 60 percent compliance with registering short-term rentals properly. One of the highest rates I have heard about is 75 percent, which means in unincorporated Clark County alone, that would still leave us upwards of a couple thousand unpermitted short-term rentals.

As I mentioned, voluntary compliance is the goal. We are trying to educate property owners. We always liken it to what the minimum amount of pressure is that we can put on this property owner to get them to comply with our codes. Sometimes it is just a notice that works. Sometimes it is a small fine, and sometimes it is larger fines. Sometimes it is an abatement action when that is appropriate. When we have exhausted all those remedies and all our normal processes but the owners still refuse to comply, we need another option to compel compliance. I really believe that the ability to place these fees and fines as a special assessment will help gain compliance with those property owners.

Justin Harrison:

I want to wrap up a few points that Mr. Anderson made. Code enforcement and the complaints that come in are not done proactively. These are complaints that come in from community members who see a real effect in their neighborhoods. They see changes, and they are hoping to see the same things we are. They are hoping to see compliance. I will note that the idea for the bill was initially brought forward in speaking with incorporated cities that are currently using this authority and power. As you are aware, cities are governed slightly differently than counties. We are looking to come onto an equitable playing field. We see this as an enforcement provision, as Mr. Anderson mentioned, whether short-term rentals are permitted in Clark County. We see that process going forward through Assembly Bill 363.

Chairman Yeager:

We have a few questions. I was looking at the slide show regarding the party houses, and I noticed flame throwers, rocket launchers, and monkeys. Was that at one party, or were there three separate incidents? Were you able to do anything? I do not know about the monkeys, but flame throwers and rocket launchers would probably violate criminal law. I wonder if you have any enforcement ability on that.

Jim Anderson:

I believe it was two separate properties with those incidences. Law enforcement responded multiple times to one of those properties. They started the chronic nuisance process because there were a number of other criminal violations taking place on that property. It has been quiet for a while, thankfully, so I think they have had some success on the criminal side to cease that activity.

Assemblywoman González:

You touched on one of my questions briefly when you were talking about other cities. Is this happening in other cities? Is this a common practice throughout the country?

Justin Harrison:

We have consulted with the City of Las Vegas, and they are currently using this process. Specifically, they mentioned two special assessments for illegally operating short-term rentals. I am not aware of any specific jurisdictions across the country that are doing this, but it is something that is happening in Clark County. I can ask Mr. Anderson if he is aware of any other jurisdictions.

Jim Anderson:

I have spoken with other agencies that have used this remedy, and it has been successful in helping them shut down things.

Assemblywoman González:

Do you know where they are doing this? Are we talking about in our state or in other states?

Jim Anderson:

I have spoken with folks in other states. We have spoken with multiple agencies, but I do not have that specific list in front of me. I can get that information. That was occurring in some of the jurisdictions in California that we spoke with.

Assemblywoman González:

Are there steps in place before we get here? Are you able to go straight to this option with this bill?

Jim Anderson:

There is a noticing process that I mentioned that we go through initially to give the property owners time to comply and shut down and their due process right to have a hearing, as well as the judicial review of the results of that hearing if they are not satisfied. Civil penalties are levied at that point, where they have the same judicial review opportunities through an administrative hearing and a court review of that process. From that point, a lien is placed on the property and that lien stands. We would only convert these fines onto the tax roll once a year. Throughout the process there are opportunities to pay, to cease the activity, and to not have these levied on the tax roll.

Assemblywoman González:

Can you go straight to this process if you wanted to?

Jim Anderson:

No, we cannot. We would have to follow the process as I just explained to you.

Assemblywoman Nguyen:

I appreciate you bringing this bill and trying to come up with a solution. I spent a great deal of time speaking with Yvette Williams and some of the other neighbors in the Spring Valley township. We also met with local metropolitan police departments that are having issues with some of these larger mini hotels right in the middle of neighborhoods within Clark County.

I see your amendment, and I assume this was an attempt to narrow the scope of what Senate Bill 57 (1st Reprint) would include. Are there provisions in here that are discretionary for the counties to determine if they are going to seek the worst of the worst major offenders and hold them accountable? What about those who are not running huge hotels but may have a smaller home they are illegally renting to families either intentionally or unintentionally?

Justin Harrison:

Thank you for being open to discussing Assembly Bill 363 as well as Senate Bill 57 (1st Reprint). It was the intent of the amendment to narrow the scope, which was a suggestion from your colleagues in the Senate as well as stakeholders. In addition to narrowing the scope of the bill to those two categories was the \$5,000 threshold that really gets at the heart of the repeat offender and those who are unwilling to come into compliance.

At \$5,000, code enforcement must be out issuing multiple fines for multiple violations to get to that threshold. It is not going to come quickly. We feel it is intentional in order to get to that barrier—to that threshold of \$5,000. There is quite a bit of time before that would happen, as Mr. Anderson mentioned. These special assessments would only be put on the tax roll once a year, so depending on when that falls, it could be nine, ten, or eleven months before the special assessments are even put on the tax roll.

To go back to what was mentioned before, the goal is compliance. In tandem with Assembly Bill 363, this allows a legal route to licensure of short-term rentals in Clark County and forces folks into that legal lane. As mentioned, large jurisdictions with large compliance bodies and enforcement may only have 60 percent or 70 percent of short-term rentals come into compliance voluntarily, so there still is an illegal market out there.

Assemblywoman Nguyen:

With respect to the \$5,000, would that be per violation, or is it a cumulative amount?

Justin Harrison:

It is a cumulative amount. Counties do not have the authority to issue fines over \$1,000, so we would be unable to issue a \$5,000 fine or penalty at one time.

Assemblywoman Nguyen:

During the testimony on Assembly Bill 363, we heard there were potentially up to 7,800 unlicensed short-term rentals in Clark County. Obviously, there are provisions that these are not allowed, so they are all operating illegally. As for violations of building codes and health regulations, Ms. Williams and her neighbors in that community have pictures of illegal septic tanks being installed, 20-foot walls, and various other violations. Would these be building code or health regulation violations? What authority do you have with existing ordinances?

Justin Harrison:

Initially, the bill included illegal construction within its scope. With it narrowed, it does not include those provisions, but we are seeing that. Many of these operators are expanding by converting structures or garages, adding additional bedrooms and patios, and putting in additional bathrooms that require septic systems. We are seeing that but are removing it from the bill. There were concerns about individuals using handymen for small construction projects around their house who do not know the permitting process and that potentially becoming a problem. That has all been taken out of the bill.

Jim Anderson:

I am going to go into more detail. When we have violations that include both short-term rentals and other unpermitted activities, including unpermitted construction, those are handled separately by our office. We have separate cases on them. They would not be joined to meet that \$5,000 threshold or be handled through our noticing and due process enforcement process. They are handled separately. We have the tools in place to address all those concerns that you mentioned.

Assemblywoman Nguyen:

If, in fact, there are 7,800 unlicensed short-term rentals in Clark County alone, what kind of enforcement team do you have within Clark County to start addressing these issues?

Jim Anderson:

Currently, we have a six-person team that is dedicated to addressing our short-term rental violations. It consists of four code enforcement specialists, one supervisor, and one support staff who does a lot of the research for those cases. Even though we have that large number of short-term rentals in unincorporated Clark County, we are only reactive. We only respond to cases when people call and complain. We average 900 complaints a year that we can address with our current manpower.

Assemblywoman Nguyen:

When you say 900 that you can address, are you receiving more than 900 a year? Are you only able to process that many?

Jim Anderson:

No, I apologize. We only receive 900 complaints, and we address all of them.

Assemblywoman Krasner:

With this bill, are we shifting the cost of a small number of individuals violating county ordinances to the rest of the housing market? Do you think this will result in mortgages being more expensive in Nevada?

Justin Harrison:

This only touches a small number of individuals who are repeat offenders. Going through Clark County's data, this would only affect 97 properties over three years after the amendment narrows the bill to those operating illegal short-term rentals, abandoned properties, and with incorporating the \$5,000 threshold. The universe is very small. We have intentionally worked to narrow this to avoid that problem. We have heard concerns from the banking and mortgage industry that this could be a problem as far as risk and risk assessment goes. We have asked for data to show if this would really affect the entire mortgage industry in Clark County and the state of Nevada, but we have not heard back.

To partially answer your question, we feel this is a very small universe. I cannot answer that directly since I do not have that information. We will continue to work with the stakeholders and, hopefully, be able to answer that for you.

Assemblywoman Kasama:

It is clearly a problem; we have another bill on short-term rentals. Not only for Clark County, but also for homeowners' association (HOA) communities, they have similar problems of repeat offenders and can do nothing. We had legislation passed—I do not know what year that was since I was not in the Assembly—to give them a super-priority lien for nine months of HOA fees. In many cases, they had five years of HOA fees that ate up the value of the property that finally gave them the ability to foreclose on the property for repeat

offenses and not responding to properly served notices. The banks were concerned about the first-priority liens.

I want to clarify that in your bill you are going to add the fees and fines to the property tax rolls, and that will give you the ability to foreclose on the property, not only for the property taxes, but also for the assessment fines. That would be in first position versus the first lien from the bank. Is that correct?

Justin Harrison:

Yes. In discussions with the mortgage industry, we see that having the special assessment tied to the property taxes would put it in first position. For that reason, we have added the proposed language in the amendment to extinguish the special assessment upon compliance. We are not looking to take the home and bring it to a tax sale. We are not even trying to collect on special assessments. We are looking for the property owner to come into compliance, thus the impetus for putting that language into the bill. We want to see, on behalf of the property owner, a willingness to stay in compliance, thus the language for 180 days. We see that as nullifying those concerns. If the property is in compliance, there would be no special assessment. I am not sure if that answers your question.

Assemblywoman Kasama:

I believe you need the authority for the bad actors who do nothing but tie your hands. You can only put liens on, and if they do not sell the property, it has no meaning to them. If they are making plenty of money off it, they do not care. I believe you need some type of mechanism.

My concern is that by having a super-priority over the first lien, there is risk to the Nevada Bankers Association and the loans they have placed in Nevada. The loans will end up with premium pricing the higher the risk. The Nevada homebuyers will have higher mortgages than in other states. Premium pricing is just how things work. I am concerned for first-time homebuyers and affordable housing that loan rates could potentially be higher. I do not know if there is consideration to keep the ability to foreclose but place the assessments below the first lien, since the goal is to stop the bad actor and not to collect money. Money and penalties are vehicles to get things done. We need to have that if there is consideration for it, so we do not end up with premium pricing on loans.

Justin Harrison:

That consideration was given. By narrowing the universe and looking at the risk assessment the mortgage lenders take into consideration, it is incredibly small. We have gone through the conversation that HOAs and their super-priority position are a vastly larger universe than the 97 cases we have seen over three years. Additionally, with the ability of municipalities to go through this code process—and we have not heard back to see how that is being handled by the mortgage and banking industry—there seems to be no concern or knowledge that this is happening. From my layman's standpoint, I do not see it affecting that, but I am not a mortgage and banking industry expert. That was the impetus for including extinguishment upon compliance in the bill; that is the goal.

I feel this is a good time to address the proposed amendment from the mortgage and banking industry [[Exhibit E](#)] for us to only have the ability to place these special assessments on properties without mortgages. We went through and did our due diligence and really looked at each individual property that would fall within the threshold over the last three years, and 75 percent of those properties have a mortgage. This bill would only apply to one-quarter of those cases. We also see that as a potential liability of treating properties differently. There is nothing stopping a property owner who does not have a mortgage from getting one if they are in this situation. If they are savvy enough to have set up an operation where they are making large amounts of money and have paid off the mortgage or bought the property in cash, there is nothing that keeps them from getting a small mortgage and protecting themselves from that provision. I apologize for the tangent, but I felt this was a good segue to address that proposal.

Assemblywoman Kasama:

For the record, I do support whether the home has a mortgage or not. I think you need the ability to rue the bad actors. Whether they have a mortgage or not does not mean they are a bad actor or not, they just are. That should not be a criterion.

Assemblyman Wheeler:

I see what you are trying to do, but when I look at the front page of the bill, it says, "On behalf of Clark County," and it is being presented by Clark County. Looking through the bill, I do not see anything in here about any of the other counties. I do not see a population cap. Am I just missing something or is this going to be imposed on the entire state? Is this just for Clark County, since I do not see it in here?

Justin Harrison:

That is correct. This would apply to all counties in the state. There is no population cap as currently written.

Assemblywoman Cohen:

You have talked about the party houses, the short-term rentals, and the nuisance homes where there is disrepair, but can you address what an owner would do to get into compliance when they have a hoarder who has a mental health condition, or if someone's home is in disrepair because they are incapable of keeping it up? Is there any help from the county for that?

Jim Anderson:

Code enforcement works hard with property owners who are willing to comply with our ordinances but, for whatever reason, have difficulties. Oftentimes it is a hoarder who may have some mental health challenges. Sometimes it is elderly folks who do not have the resources to remedy some violations on their property. We work hard to find them other resources to help remedy those violations. In the case of a hoarding situation, we have put together a task force in the past that included many different agencies, including mental health folks, to come together to meet with the property owners to try to resolve the issues without enforcement action. Sometimes we still must do abatement actions while getting

them the help they need. Other times, if it is an elderly person, there are faith-based organizations that are willing to help. We can reach out to different folks to see what we can do. If it is an inexpensive project, one of our contractors will donate the work. Occasionally, we give them enough time to ensure it gets done. When folks are willing to work with us, we do whatever it takes to help them come into compliance on their own.

Assemblyman Orentlicher:

I want to clarify a small difference in language between what is on the slide and what is in the conceptual amendment in describing the narrower class of offenses. On the slide [page 2, [Exhibit F](#)] it says, "squatters in abandoned properties," and the conceptual amendment says, "abandoned properties" [section 1, subsection 4(b)], which seems more consistent with your discussion. I hope that is your intent.

Justin Harrison:

Yes. I apologize for the typo on the slide. The proposed language is for abandoned houses.

Assemblywoman Summers-Armstrong:

My question was asked and answered.

Chairman Yeager:

Does anyone else have questions? I do not know if Mr. Harrison can answer this, but there are other folks who may be in a better position to answer it. Under the current structure of the *Nevada Revised Statutes* (NRS) for nonjudicial foreclosures—I am particularly speaking of the HOA fees—there are rights of redemption where folks have a period in which to pay. The primary note holder, normally a mortgage company, has the right to come in and pay the fees and fines so the property is not foreclosed upon. If we were to pass this bill, is it your understanding that all those protections already in place, with respect to super-priority liens and HOA fees, would apply in this circumstance as well? Would this create a different process or track without those protections?

Lisa Logsdon, Deputy District Attorney, Civil Division, Clark County District Attorney's Office:

With it becoming a special assessment that comes on the tax roll, it will be afforded all the due process protections that apply with the tax sale process. That process has even more procedures and protections for the homeowner than in a nonjudicial foreclosure sale. There are multiple rights of redemption. The mortgage holder is entitled to those notices, and they are entitled to redeem any of those properties. If you are familiar with the tax sale process, it is a lengthy three-year process before the county can deem the property eligible for a tax sale. During that process, there are multiple notices and multiple opportunities to redeem the property. By the county putting in the provision regarding compliance, we can take the special assessment off the tax roll if the property comes into compliance.

Chairman Yeager:

In the property tax sale, if the mortgage holder decides they want to satisfy the fees that were assessed so the property is not nonjudicially foreclosed, is the note holder somehow able to

roll that amount into the existing mortgage? Can they have it as an assessment so that, in theory, they could recoup the money at some point? Can you or someone else shed some light on that?

Lisa Logsdon:

I am not familiar with what the mortgage company's rights are under their deed of trust documents. I believe with property taxes there are provisions which allow them to recoup them. They would pay the property taxes through escrow. They may do those with special improvement districts. It would depend on what is in their deed of trust documents.

Chairman Yeager:

Last call for questions from Committee members. I do not see any more questions, so we will take testimony on the bill and come back for concluding remarks. I will open support testimony on Senate Bill 57 (1st Reprint).

Steve Walker, representing Carson City and Storey County:

We are in support of the bill. We feel this bill—especially since it is enabling—can give us another tool to solve some of these problems. Obviously, the amendment has limited abilities, but we are still in support. Because it is enabling through ordinance, we can use it as necessary.

Chairman Yeager:

Is there anyone else who would like to testify in support?

Jamie Rodriguez, Government Affairs Manager, Office of the County Manager, Washoe County:

I am here in support of Senate Bill 57 (1st Reprint). We want to thank Clark County for bringing the bill forward. As many of you are aware, Washoe County recently passed ordinances regarding the enforcement of short-term rentals in unincorporated Washoe County, most of which is the Lake Tahoe area. We are in support of this bill that gives parity between counties and cities, as well as gives us additional tools in the toolbox. We have operators who are bad actors, and we need more options to ensure the bad actors either address the issues or stop operating for the safety of the community.

Vinson Guthreau, Deputy Director, Nevada Association of Counties:

We are testifying in support of Senate Bill 57 (1st Reprint). We believe the enabling language in Senate Bill 57 (1st Reprint) that allows counties to pass ordinances to make fines on real property special assessments on property tax bills is an important option. This legislation provides an additional mechanism to allow local governments to address chronic nuisance issues that often affect the health and safety of residents in their community. With the conceptual amendment presented by Clark County, we believe this brings balance to enforcement and provides incentives to ensure speedier resolution for compliance to outstanding violations. Again, Nevada Association of Counties supports Senate Bill 57 (1st Reprint).

A.J. Delap, Government Liaison, Office of Intergovernmental Services, Las Vegas Metropolitan Police Department:

The Las Vegas Metropolitan Police Department is in support of Senate Bill 57 (1st Reprint) and believes that this measure will assist in curbing some of the most egregious public safety issues involving short-term rentals.

Arielle Edwards, representing City of North Las Vegas:

The City of North Las Vegas offers support for Senate Bill 57 (1st Reprint). We urge your support for this measure.

Chairman Yeager:

Is there anyone else in support of Senate Bill 57 (1st Reprint)? [There was no one.] I will close testimony in support. I will open opposition testimony. Is there anyone who would like to testify in opposition?

Louis Koorndyk, Cofounder, Greater Las Vegas Short-term Rental Association:

We strongly oppose Senate Bill 57 (1st Reprint). Well over two years ago, I had to put my parents in assisted living. I had two investment properties. I converted those properties to rent as short-term rentals so I could afford the assisted living for my parents. Everything worked out great. It covered all the expenses. Clark County Code Enforcement then started giving me fines against the property. I was shocked, and I thought it was a joke. The health of my parents took precedence. I continued to rent the property on a short-term basis because I was not having problems. Before I knew it, I had \$72,000 in fines. It got to \$72,000 because code enforcement subpoenaed Airbnb's records, back-fined me, and hit me with all those fines within a couple of notices. I stopped renting the property on a short-term basis. I have been compliant for well over two years. Now, Clark County wants to introduce Senate Bill 57 (1st Reprint) to finish me off once and for all. I have spent every penny I had taking care of my parents, since I was no longer able to rent my properties on a short-term basis. I do not have \$72,000, and they are going to take my properties. This is an absolute egregious action. No municipality should have that kind of power over its citizens, to take their property away.

Chairman Yeager:

Is there anyone else in opposition?

Phyllis Gurgevich, President and Chief Executive Officer, Nevada Bankers Association:

The Nevada Bankers Association (NBA) opposes Senate Bill 57 (1st Reprint). Residential lenders need to rely on the property as collateral. It secures their loan. It is called "secured lending." That is why the interest rates for home loans are so much lower than that of an unsecured loan such as a credit card. Anything that puts that security or collateral at risk creates an environment where costs for those loans escalate while the number of participating lenders in the market goes down, which offers less consumer choice and further increases prices for potential homebuyers. There is a saying in the industry that is, "First in time, first in line," which is the golden rule that lets everyone know clearly where they stand. It allows informed decisions based on that standing.

In the case of priority liens, they jump existing liens. Regardless of how narrowly one tries to focus and limit what the intention is, it is the ability to place a priority lien that creates the risk and that risk applies to every property in Nevada [[Exhibit E](#)]. Obviously, it can cause major disruptions in the market. That amount of disruption gets the attention of the government-sponsored enterprises, such as Fannie Mae, Freddie Mac, U.S. Department of Veterans Affairs, and Federal Housing Administration-backed loans, which currently represent upwards of 85 percent of the home loans in Nevada.

We recognize this serious issue and feel the county's frustration with the violators who will not fall in line, but we truly believe that forcing lenders, homebuyers, and the real estate market to pay the penalty for other people's ordinance violations—that they are not party to and have no control over—is not an equitable solution.

The NBA members are strongly opposed to this bill, and we remain extremely concerned whenever priority liens rise up in the home loan industry.

Wiselet Rouzard, Director of Grassroots Operations, Americans for Prosperity Nevada: On behalf of Americans for Prosperity Nevada, I ask the Assembly Committee on Judiciary to oppose Senate Bill 57 (1st Reprint). First, we have been working diligently with all of you. The Committee has done some tremendous work in the last six years on the judicial process of our state, applying the law, but more importantly making sure things are fair and ensuring that individuals—especially those who are financially unfortunate—have ways to remedy these situations when they arise rather than letting it ruin their lives. It gives them a chance to be on the straight path. Senate Bill 57 (1st Reprint) would do away with all that work.

We have asked Clark County on several occasions, and even introduced an amendment [[Exhibit G](#)], to provide protections for those individuals who are financially unable to meet these excessive fines and fees. Clark County has deliberately applied these fines to individuals, not because their property is dangerous, not because of trash, not because of their issues, but simply for renting out their home or a room for less than 30 days. Our proposed amendment was to ensure Clark County had established a procedure for the county to determine an individual's ability to pay unpaid fines and fees. They denied that. We asked the county to ensure that, if there was going to be a payment amount, they would have 9 to 12 months to pay off this loan. If they do not, it can go into foreclosure. We reminded them that some people are on fixed incomes, and some people do not have a job due to the pandemic. We asked them to place a 5 percent cap on people's monthly net income for that unpaid fee. They denied that. We asked to ensure that those individuals who are unemployed or do not have any financial means to provide for the fees and fines would be helped. Could they do a community service? They denied that. Clark County is not interested in allowing people to remedy their infractions. More importantly, as Louis Koorndyk said, they not only cumulatively add the fines, but they also retroactively add them. They go down the activities on that property and impose these fines. For this reason, amongst many, we ask that you oppose this bill.

There is a proper place and procedure for remedying that small percent of bad actors, but this is definitely not it. This bill is going to target those who are financially unfortunate. There are multiple stories, much like Louis Koorndyk's, where they are not aware of short-term renting being illegal. During the pandemic, they rented a room or the whole house for less than 30 days because they did not want to deal with a long-term renter, only to be hit with \$5,000 fines for one occasion. It was a bartender who called me crying because she is now facing \$7,000 in fines from Clark County because she rented her home after long-term renters sabotaged her property while she was unemployed. We ask that you oppose this bill.

Hats off to Assemblywoman Nguyen for looking at ways to legalize this and for ensuring that property owners in Nevada who face financial hardship have another economic vehicle to supplement their income and stay in their home. [[Exhibit H](#), [Exhibit I](#), and [Exhibit J](#) were submitted but not discussed and are included as exhibits of the hearing.]

Sylvia Smith-Turk, Chair, Legislative Committee, Nevada Land Title Association:

I am speaking in opposition to Senate Bill 57 (1st Reprint). Like others who have and will be testifying in opposition, the Nevada Land Title Association (NLTA) shares the concerns about our ability to ensure title on these properties should Senate Bill 57 (1st Reprint) pass. The federal housing finance agencies, such as Freddie Mac, Fannie Mae, credit unions, and other major lenders, may pull back on lending options in Nevada. This will affect future property buyers and homeowners wishing to refinance.

We recognize these properties are a problem. We recognize that Clark County is attempting to address this issue through Senate Bill 57 (1st Reprint); however, NLTA shares the concerns of others that this is not the pathway to address the problem. It will have an adverse impact on the real estate marketplace in Nevada.

Teresa McKee, representing Nevada REALTORS:

While the realtors support full compliance of enforcement of laws, including the short-term rental laws, we look to the larger issue to the whole state. We believe this would create instability in lending, as stated by many others. The overall result and consequence of this bill and the amendment would cause more harm to home ownership than it would help the issue the proponents claim to help. Beyond that, I am a "me too" along with the NBA and the NLTA.

Brian Reeder, representing Nevada Credit Union League:

Credit unions are all member-owned, and we serve more than 370,000 Nevadans. We want to acknowledge the county's effort to develop an amendment to relieve our concerns. We would like to continue to work with them. That said, our key concern is that the bill enables these assessments to result in super-priority liens over existing and subsequent first mortgages. The behavior that causes these assessments is not something the credit union lender has any control over. We would like to help the county address the challenges identified in their presentation and to catch the bad guys, but this bill could be applied more broadly and impact any mortgage holder. We are opposed at this time.

Jonathan Gedde, Chair, Nevada Mortgage Lenders Association:

I would like to start by saying we sympathize with the county's position, particularly with short-term rentals having a few owners who create serious problems for communities, which is a legitimate problem that needs a solution. However, we must strongly oppose this bill in its current form. In addition, we also believe the language that has supposedly given cities similar authority needs to be looked at and likely needs to be removed from the NRS. Placing punitive civil penalties in a priority-lien position in front of a first mortgage is not the right solution. There are lots of other ways this could be addressed. This not only causes a lot of problems, as you heard, within the housing and housing finance industry, but it would also not solve the problem. Federal law, from my understanding, prohibits almost anything from taking priority over federally related mortgage loans. Well over 80 percent of mortgage loans are federally insured or backed. The county has estimated that 75 percent of the most problematic properties have mortgage loans on them. My fear is that these actions will almost certainly result in court actions that would pit communities and municipalities against the federal government, winding up in a situation similar to what we had during the homeowners' association's super-priority issue.

The county stated that there were only 97 cases over several years, but that only references their interpretation of what the most serious cases are. The total number of cases cited by the county is 10,620. Assuming an average loan of \$300,000, we are talking about \$3.1 billion in mortgage loans. That is not an insignificant risk to the mortgage community. Steps will need to be taken to accommodate for that risk. Even if it is found that there is not significant risk to federally related mortgages, there certainly would be to credit union loans and other non-federally related mortgages.

While we understand it is the county's intention to bring people into compliance and not to raise money or take properties, this bill gives them the authority to do exactly that. As the gentleman testified, short-term rental fines can lead to devastating consequences. The mortgage industry is going to look at this as a potential risk posed by the language and not what the county asserts as their intention to bring owners into compliance.

Chairman Yeager:

Do we have anyone else in opposition? [There was no one.] I will close opposition testimony and open it for neutral testimony. Is there anyone in a neutral position?

Mary Beth Heishman, Private Citizen, Las Vegas, Nevada:

I had issues trying to call in favor of the bill. I am sorry, but I am in favor of Senate Bill 57 (1st Reprint). We have had a repeat offender and bad actor who makes 4-bedroom homes into 16-room party houses. One of his homes advertises to cater to 500 guests for events. This bad actor has not paid a single dime, and we have been fighting for years, but not one citation has been paid. This is very disappointing that an out-of-state or out-of-country investor has no consequences.

My neighbors' families and I are terrified that these mini hotels will be a great danger after a recent gang shooting and the constant speeding of exotic cars over the weekends. If 97 cases

are the bad actors over three years, I do not see that there is a negative impact since they are rolled into taxes, but as an overall positive for our community.

Chairman Yeager:

We are going to categorize your testimony as support. I want to go back to supportive testimony. I heard that some people had difficulty getting into the queue in support. I would like to go back to reopen support testimony and give them an opportunity to provide support testimony.

Linda Riegle, Private Citizen, Las Vegas, Nevada:

I live in unincorporated Clark County in what is commonly known as "Section 11," a rural preservation neighborhood. As you heard from the last speaker—and many of my neighbors in letter form—we have been subjected to the scourge of transient lodging in our neighborhood. Yes, it is true about the monkeys and the clowns, perhaps not with the clowns every week, but the property is still operating with loud music and parties every weekend. Notwithstanding the fact that the rentals have turned single-family homes into concrete bunkhouses, they blatantly advertise that they can sleep over 16 people and have parties up to 500. The county advises us that they are virtually powerless to enforce the basic building law or code regulations. We have been boggled by the lack of enforcement and that, in turn, engenders distrust in government, which none of us want. We all want to be able to rely on our government to enforce the rules and regulations.

One of the testimonials—and this is online for one property—asserts that it is, quote, "Great for a big group, perfect for housing 150 people, and sleeping 18,"—indeed, those helping with the event. We must be frank here. While some people truly are here for a family reunion, there is no doubt that many use a large party house to do so because they want to have a "Vegas experience." They want loud music, to use drugs—legal or illegal—and one has even seen what we call "epistemically used escort services."

I am no prude, and I do not care what one does, except these activities do not belong in a residential neighborhood. It is important that the counties have the enforcement power to enforce the regulations. Please support Senate Bill 57 (1st Reprint). I am sure mortgage issues can be resolved because mortgages have clauses that indicate they can be foreclosed on for illegal activities. These activities are illegal, and the mortgage companies have their own power.

Yvette B. Williams, Private Citizen, Las Vegas, Nevada:

Because of my affiliation with several different organizations, I want to say on the record that I am calling as a private citizen and a resident of Section 11. I will not repeat a lot of the things you have heard in support. I would like to reemphasize the conditions in Section 11. If you have not had a chance to drive into our neighborhood, please come. You have my contact information. I submitted a letter [[Exhibit K](#)] on the record with more details and my contact information. I would be happy to personally escort you to our motel/hotel corridor in our neighborhood. Because we are on large half-acre and one-acre lots—and we are

protected in the *Nevada Revised Statutes* as rural neighborhood preservations—we are being encroached on in violation of the NRS.

There are five homes on just one side of one block alone of which there are three short-term rental party houses. The facades on the fronts of the houses have been changed. They do not look like residential homes. They erect façade walls with crazy décor on them so they can block the view, and law enforcement and code enforcement cannot see in. They hide behind these walls. They install illegal staircases and multiple illegal septic tanks to serve the number of multiple bathrooms that they have added. These septic tanks are leaching into neighbors' yards. There is a health issue here as well. We have not been able to get any resolution. We have been working with the county for approximately five years on this issue. We have worked with code and law enforcement. It is unbelievable what we live through.

On the corridor street where three out of five homes are party houses, and the owner-occupied homes are between those houses. People who have raised their families here are selling their homes. We are seeing an exit of people who are raising their grandchildren. Some homes are multiple family units where multigenerational individuals are living together. It is unbelievable what is going on here.

If you have not been here, I invite you to come. I would be happy to host you and drive you around our neighborhood so you can see it for yourself. There is not one block in our neighborhood that is not being impacted by these party houses, since we are central to the Strip. We ask you to please support Senate Bill 57 (1st Reprint). Help us preserve our lifestyle; that is all we are asking. We are property owners, taxpayers, and voters, and we have rights.

Zach Bucher, representing City of Las Vegas:

For the sake of brevity, the City of Las Vegas is in support of Senate Bill 57 (1st Reprint) and the amendment offered by Clark County.

Chairman Yeager:

Is there anyone else who wishes to testify in support? [There was no one.] I will again close support. To make sure we are capturing everyone, I will go back to opposition to ensure there is no one else in opposition. Is there anyone else in opposition? [There was no one.] I will close opposition and go back to neutral. We opened neutral before, but I am not sure if there were any other callers in the neutral position. [There were none.] I will close neutral testimony. I will invite Mr. Harrison back to the table for any concluding remarks.

Justin Harrison:

I want to reiterate that the goal of this bill is compliance. That is the whole impetus for putting in the provision to extinguish special assessments upon compliance. We do not want anything other than that. I am not familiar specifically with Mr. Koorndyk's case, but would note that under the proposed bill, as long as he or any other property is in compliance, there should be no issue. Again, I am unaware of the specifics of his case and whether there are

still pending liens. There would be no pending special assessments as the county does not have that authority.

I also want to reiterate that right, wrong, or indifferent, Clark County has the authority to legalize short-term rentals as they see fit under current statutory structure. There is specific zoning in place for those in the hotel corridor. Those short-term rentals operating outside of that area are doing so illegally. I cannot speak to how property owners chose to either invest in the market or purchase those properties, or what advice they may have been given, but that is currently illegal.

I want to address a quick point brought forward by Mr. Gedde about potentially affected mortgages reaching into the billions of dollars. According to the amendment that we have submitted [[Exhibit D](#)] and have worked on to narrow the categories, including the \$5,000 threshold, there are only 97 properties over the last three years—there are not thousands—that would fall within the confines of those provisions. I do not want to confuse anything, and I do not want to mince words. That is what we have found as we have gone through our data.

In addition, we have worked at length with the mortgage, banking, and real estate industries to try to come to a solution. I think this is a great compromise. The idea, again, is compliance. By coming into compliance, any special assessment would be extinguished. We have asked opponents to bring forward any ideas or powers they may currently be using in incorporated cities that do not seem to have an effect on their industry. In fact, there was no knowledge that it was even happening prior to bringing this bill forward. There does not seem to be an effect on the industry. Opponents have told us they proactively reached out to Fannie Mae and Freddie Mac for a legal opinion to see how those institutions would see this language moving forward but have not received a reply. I would like to know how the mortgage industry has the ability to take any kind of action, as many of these mortgages may be written as a primary residence or as a residential dwelling but are currently being operated as a commercial enterprise. There are tools that they have, and we are asking for tools that the county may have or would like to have to bring properties into compliance.

Jim Anderson:

I do not have anything to add to Mr. Harrison's testimony.

Chairman Yeager:

I will close the hearing on Senate Bill 57 (1st Reprint). That takes us to our final item on the agenda, and that is public comment. Public comment is a time to raise matters of a general nature within the jurisdiction of this Committee. It is not a time to provide additional testimony on bills that we have already heard and closed. I will open public comment.

Annemarie Grant, Private Citizen, Quincy, Massachusetts:

I am the sister of Thomas Purdy, who was hog-tied by Reno police for over 40 minutes and then asphyxiated to death by Washoe County Sheriff's deputies.

Today, I would like to talk about Rafael Alonso Olivas, affectionately known as "Ralfy" to those who love him. Ralfy was 23 years old when he was shot and killed on July 14, 2011, by Las Vegas Metropolitan Police Department officers Grivas, Hager, and Houchen, who were trained in crisis intervention and fired a low lethal shotgun at Ralfy. Alma Chavez had called 911 requesting that the police respond to her house because her son Ralfy was out of control. Alma said that Ralfy had anger problems and was not in his right mind, and she asked dispatch to send someone specialized in mental illness. During the call, she specifically asked police not to shoot her son. The officers arrived in the neighborhood and saw Ralfy walking towards them with a knife in his hand. The officers stopped approximately 90 yards in front of him and from where they first saw Ralfy. Ralfy came approximately within 40 feet of the officers and Houchen fired his low lethal shotgun four times. The shots hit his throat, stomach, lower abdomen, and right hip. The other officers fired at him, and he collapsed to the ground. He was then handcuffed and later succumbed to his injuries, which consisted of a perforating gunshot wound to the arm, penetrating gunshot wounds to the left arm and the right shoulder—a bullet was recovered from his spine—and a perforating gunshot wound to the front of the neck which entered and exited in the front of the neck.

Reports always trouble me when they claim they provided medical attention right away. They claimed that about my brother, yet CPR was never started by deputies. The practice of handcuffing human beings after being mortally wounded by police has to end. Another mother has to live with the regret that she called the police to help her suicidal son only to have police kill him—another family living the never-ending nightmare when their loved one was killed by police.

These are the words of Ralfy's sister: "I miss you being around. I forget that you are not coming back. Sometimes it hits me really hard. I just listen to your song, and it feels like you are still here. Mama and us will never be the same without you. I know I didn't say it often, but I love you." His mother, Alma Chavez, has testified this legislative session, as I have, in hopes that no other families will have to endure heartache when law enforcement kills their loved ones without consequence.

Chairman Yeager:

Is there anyone else for public comment?

Wiselet Rouzard, Director of Grassroots Operations, Americans for Prosperity Nevada:

I just wanted to say thank you to the Committee. This meeting was well run. I appreciate your giving both sides adequate time to express themselves. I have been in other committees where this was not adhered to. I wanted to say thank you all; you have been great. I appreciate you, Chair, for running this Committee graciously.

Yvette B. Williams, Private Citizen, Las Vegas, Nevada:

I am now calling for public comment as Chair of the Clark County Black Caucus. I want to acknowledge this Committee. We have been diligently watching this legislative session, which has been fast-paced. It is very hard to navigate and to participate in like a normal session. With this being a virtual session, it is even more difficult for the community to engage and participate in. I can only imagine how difficult it is for all of you. I thought it was important to take a moment to recognize your Committee. We see the work you are doing, and we appreciate the legislation that is coming before you.

There were a lot of issues this past summer around racial justice. Promises were made by members of the Legislature, as well as our Governor, that issues around racial justice were going to be center in this legislative session. I see that clearly in your Committee work.

Thank you to each of you for your diligence and for the time you are spending in careful thought, and especially for your compassion and empathy when you hear our stories. Thank you for all that you are doing and for your public service to Nevada.

Chairman Yeager:

Is there anyone else for public comment? [There was no one.] I will close public comment. Is there anything else from Committee members? I do not see anything else. I want to thank our public commenters for acknowledging the work of the Committee. If you like the way the Assembly Committee on Judiciary works, that is a testament to the hard work that members put in preparing for these meetings, and more importantly, the hard work behind the scenes that our staff does day in and day out. This would not work without a lot of people in the background doing a lot of things that are not often acknowledged. Let me publicly say thank you to everyone who has made these meetings happen over the past few months and will continue to do so in the next three weeks. We do appreciate you.

Tomorrow we have a 9 o'clock meeting. We have three bills on the agenda. We will be talking about no-knock warrants, solicitation of charitable contributions, and everyone's favorite topic, another bill on cannabis. With that, by the end of tomorrow's meeting, we will have heard all the bills this Committee has received from the Senate. I anticipate that we will get more bills, some from being drafted and some coming out of the Senate Committee on Finance, so our work is not done.

Concerning next week's Friday committee passage deadline, we appear to be on track for that. While in the meeting, we put out an agenda for Friday. Friday is going to be a 9 o'clock start. We have a work session agenda with ten bills. Please begin to look at the bills, or at least the agenda, to see which bills are on there. We are still getting the work session document together. Please let me know if you have any concerns with any of the bills that are listed. We will see how things go at the end of this week for next week. We will have at least one or two work sessions next week, and we will see if we have any bills to hear as well.

Members, thank you for your patience this morning. I know it was a longer meeting than we have been having recently. I appreciate your time and attention. This meeting is adjourned [at 10:44 a.m.].

RESPECTFULLY SUBMITTED:

Karyn Werner
Committee Secretary

APPROVED BY:

Assemblyman Steve Yeager, Chairman

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is a proposed amendment to [Senate Bill 49 \(1st Reprint\)](#), presented by Tyler Klimas, Executive Director, Nevada Cannabis Compliance Board.

[Exhibit D](#) is a proposed amendment to [Senate Bill 57 \(1st Reprint\)](#), presented by Justin Harrison, Principal Management Analyst, Clark County.

[Exhibit E](#) is a proposed amendment to [Senate Bill 57 \(1st Reprint\)](#), from Nevada Bankers Association, Nevada Credit Union League, Nevada Mortgage Lenders Association, Nevada Land Title Association, and Nevada REALTORS, submitted by Connor Cain.

[Exhibit F](#) is a copy of a PowerPoint presentation titled "Senate Bill 57, Clark County, Nevada," presented by Justin Harrison, Principal Management Analyst, Clark County.

[Exhibit G](#) is a proposed amendment to [Senate Bill 57 \(1st Reprint\)](#), presented by Wiselet Rouzard, Director of Grassroots Operations, Americans for Prosperity Nevada.

[Exhibit H](#) is a copy of an email dated March 19, 2021, to Clark County Department of Administrative Services, Code Enforcement Unit, Public Response Office, regarding Nevada Public Records Act Request, signed by Kevin Schmidt, Director of Investigations, Americans for Prosperity Foundation Nevada, submitted by Marcos Lopez, Legislative Liaison, Americans for Prosperity Nevada, regarding [Senate Bill 57 \(1st Reprint\)](#).

[Exhibit I](#) is a table of fees assessed by Clark County, submitted by Marcos Lopez, Legislative Liaison, Americans for Prosperity Nevada, regarding [Senate Bill 57 \(1st Reprint\)](#).

[Exhibit J](#) is a document titled "Summary of Data on Clark County FOIA Response to AFPF," signed by Wiselet Rouzard, Director, Grassroots Operations, Americans for Prosperity Nevada, and submitted by Marcos Lopez, Legislative Liaison, Americans for Prosperity Nevada, regarding [Senate Bill 57 \(1st Reprint\)](#).

[Exhibit K](#) is a letter dated May 5, 2021, submitted by Yvette B. Williams, Private Citizen, Las Vegas, Nevada, in support of [Senate Bill 57 \(1st Reprint\)](#).