

**MINUTES OF THE
SENATE COMMITTEE ON GOVERNMENT AFFAIRS**

**Eighty-first Session
March 8, 2021**

The Senate Committee on Government Affairs was called to order by Chair Marilyn Dondero Loop at 3:34 p.m. on Monday, March 8, 2021, Online. [Exhibit A](#) is the Agenda. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Marilyn Dondero Loop, Chair
Senator James Ohrenschall, Vice Chair
Senator Dina Neal
Senator Pete Goicoechea
Senator Ira Hansen

GUEST LEGISLATORS PRESENT:

Senator Dallas Harris, Senatorial District No. 11
Senator Julia Ratti, Senatorial District No. 13

STAFF MEMBERS PRESENT:

Alysa Keller, Policy Analyst
Heidi Chlarson, Counsel
Suzanne Efford, Committee Secretary

OTHERS PRESENT:

Bill Brewer, Executive Director, Nevada Rural Housing Authority
Steve Aichroth, Administrator, Housing Division, Department of Business and Industry
Nick Vander Poel, Nevada Rural Housing Authority
Audra Hamernik, President, Nevada HAND
Eileen Piekarz, Rural Community Assistance Corporation
Kelly Crompton, City of Las Vegas
David Cherry, City of Henderson
Emily Paulsen, Executive Director, Nevada Homeless Alliance
Joanna Jacob, Clark County

Senate Committee on Government Affairs
March 8, 2021
Page 2

Christine Hess, Executive Director, Nevada Housing Coalition
Jared Luke, City of North Las Vegas
Brooke Page, Director, Corporation for Supportive Housing
Calli Wilsey, City of Reno
Eric Novak, Praxis Consulting Group LLC
Matt Walker, Southern Nevada Home Builders Association
Daniel Pierrott, Nevada Builders Alliance
Chelsea Loomis
Warren Hardy, Urban Consortium
Dagny Stapleton, Executive Director, Nevada Association of Counties
Steve Walker, Douglas County; Lyon County; Storey County; Carson City
Jamie Rodriguez, Washoe County

CHAIR DONDERO LOOP:

We will open the hearing on Senate Bill (S.B.) 12.

SENATE BILL 12: Requires certain notices before the termination of a restriction relating to the affordability of certain housing. (BDR 25-372)

SENATOR JULIA RATTI (Senatorial District No. 13):

In 2019, the Legislature recognized that affordable housing was a critical issue and it re-formed the Advisory Committee on Housing (ACH). I was appointed to that Committee and was honored to be elected the chair. The ACH was granted one bill draft request which is S.B. 12.

We have had many conversations about affordable housing and the need to build more affordable housing units. However, we may have missed the mark by not being focused on preserving the affordable housing we already have. A wonderful quote, "The most cost-effective investment that the public sector can make in ensuring that its citizens have decent and affordable places to live," is on Slide 1 of my presentation ([Exhibit B](#)).

Housing stability is the cornerstone for everything else. According to Maslow's hierarchy of needs, if someone is struggling to maintain housing, then he or she probably is not thriving in education, health care, jobs and many other aspects of life. Therefore, we will continue to focus on the issue of affordable housing.

Affordable housing has become a commonly used term. It could be about someone's ability to purchase a first home, or whether someone can afford to

rent in a market. In this hearing, we are specifically talking about subsidized housing so individuals with lower incomes have places to live. When we talk about affordable housing, we are talking about traditional subsidized affordable housing. Rent for these units is based on an individual's ability to pay or on the income bracket he or she is in.

To obtain affordable housing, a variety of tools are used; mostly the Low Income Housing Tax Credit (LIHTC), which results in a contract with a developer. Developers bring money to the table, and we use tools to assist with that. The resulting contract requires the developer to maintain the affordability of the development for a certain period of time, usually 15 to 30 years. Most of the new contracts are for 30 years.

Over 90 percent of the subsidized units in Nevada are built with LIHTC. That means income matters because the rental rate is based on the renter's income. That is the first important thing to understand, Slide 2, [Exhibit B](#).

The focus of this bill is on affordable housing preservation, Slide 3, [Exhibit B](#). Most affordable housing developments are built with a promise from the owner to keep the units affordable for a fixed amount of time which means contracts eventually expire. Therefore, as in communities in Nevada in which the growth rate is driving up rent, it can be tempting for the owner to flip the property from affordable or subsidized to the market rate. When a developer has fulfilled the responsibilities of the contract and determines more money can be made at the market rate, we risk losing those subsidized units. Preservation is any action taken to safeguard these federal subsidies which means low-income individuals will have places to live.

Moving to Slide 4, [Exhibit B](#), the cost to preserve an affordable unit is usually about 30 percent to 50 percent less than the cost to develop a new property. Millions of taxpayer dollars are invested in subsidized, affordable housing units. By extending the life of that property, we protect the initial investment.

Land-use restrictions, the availability of land and the cost of land, labor and materials make it difficult to build affordable units. Anything we can do to keep the units we have is critically important.

Unfortunately, Nevada ranks among the worst states for the amount of available affordable housing. We have an extreme shortage, Slide 5, [Exhibit B](#).

As shown on Slide 6, [Exhibit B](#), renters in Nevada are especially in need. Forty-four percent of Nevada householders rent. The U.S. Department of Housing and Urban Development (HUD) said the fair market rent in Nevada is \$1,065. However, anyone who has tried to rent a two-bedroom apartment anywhere in this State knows this number is probably a couple years old. The actual average rent for a two-bedroom apartment, taken from a survey done on January 7, 2020, was \$1,211 in the Las Vegas Valley and \$1,436 in Reno and Sparks. To be able to afford an apartment in Las Vegas, an individual needs to earn \$26.51 per hour; in Reno, the hourly wage needs to be \$30.17. The average renter's wage is only \$17.42 per hour. Therefore, an extraordinary number of people are cost-burdened.

Slide 7, [Exhibit B](#), shows housing insecurity and cost burden by income in Nevada. Spending more than 30 percent of income on housing cuts into healthcare, extracurricular activities for children and other things. Cost-burdened means paying more than 30 percent of income on housing and severely cost-burdened is paying more than 50 percent of income on housing.

As shown in the graph on Slide 7, [Exhibit B](#), someone making 30 percent or less of the area median income (AMI) is extremely low income. This probably is a senior citizen or someone with a disability on fixed incomes. Ninety-three percent of those who fall into that category are cost-burdened, paying more than 30 percent of their income toward an apartment. Eighty-one percent of these people pay more than 50 percent of their income on an apartment and are severely cost-burdened.

In the very low-income category, 31 percent to 50 percent of the AMI, 87 percent of these people are paying more than 30 percent of their income and 43 percent are paying more than 50 percent of their income on housing. Paying 50 percent of their income on housing means not investing in other things such as a car, health care or extracurricular activities. Of those in the middle income AMI, almost one-third are paying more than 30 percent of their income on housing.

Those in the 81 percent to 100 percent AMI and 51 percent to 80 percent AMI are competing with the extremely and very low income for units. People who are low income cannot compete. They are at risk for homelessness, sleeping on a neighbor's couch or whatever they can do to stay housed.

The graph on Slide 8, [Exhibit B](#), shows Nevada's extreme shortage of available, affordable housing. Nevada has only 18 affordable and available homes per 100 extremely low-income renter households. That means 82 out of every 100 people are competing in the market to find housing.

There are only 40 of the 100 units needed for those at or below the 50 percent AMI. The other 60 people are competing for housing in the market. It is clear that Nevada does not have enough affordable housing.

Much time and attention is put into building more affordable housing units. We spent much time discussing LIHTC in the Eightieth Session. With the federal government allocation, we can incentivize developers to build affordable housing with 30-year contracts. We are trying to put more units into the market.

The first line of the graph on Slide 9, [Exhibit B](#), shows that in 2011, 592 units were built. Renovations were done using the same LIHTC tools and some others. A renovation of an existing, affordable housing project adds more years of affordable restrictions to the contract timeline. In 2011, 163 units were renovated. That meant 755 units were ready for occupancy. However, as you can see, the net increase was only 273 new units. The second-to-last column on the graph shows a loss of 319 units. Even though 592 new units were built, 319 units were lost. There was an increase of only 273 new units. You can see that trend. Not many new units were built in 2012, and many had expiring contracts. It got better in 2020 because more units were being built.

The last line of the graph contains the affordable housing average from 2016 to 2020. Almost 900 units were built in any given year. To keep units in the market, 780 were renovated, but because 579 were lost to contract expirations, only 319 new units were available for rent.

Losing the existing inventory is weighing us down. We can build all the new units in the world, but if we cannot keep what we already have, we are not making enough progress.

There are 7,500 affordable units at risk of contract expiration over the next 5 years as indicated on Slide 10, [Exhibit B](#). When a contract expires, the owner of the property could choose to flip to the market rental rate, and those affordable units will be lost. Four hundred of them are 30-year tax credit properties naturally expiring. Thirty-year tax credit properties exiting through the

qualified contract (QC) process total 6,500. You can see the details on Slide 10, [Exhibit B](#).

BILL BREWER (Executive Director, Nevada Rural Housing Authority):

Senator Ratti has explained the challenges we face with our affordable housing stock. Only so many tools can be used to preserve housing. Slide 12, [Exhibit B](#), lists some of the funding resources. The LIHTC is the primary tool used in building and preserving affordable units in Nevada. That tool is often coupled with other funding resources to build affordable housing units. Over 90 percent of these units use LIHTC.

The HOME Investment Partnerships Program is a grant fund provided through the federal government to the State. The State gets some money from that each year, but it is not nearly enough to produce many units. It is primarily used as a gap filler to help projects get off the ground. It is the same situation with the State's Affordable Housing Trust Fund. As vital as these funding sources are, they are not substantial.

Other states are preserving their affordable housing units as shown on Slide 13, [Exhibit B](#), through early notification laws. These laws are good practice to preserve taxpayer investments made into these units and to keep them affordable for those who live in them.

What S.B. 12 will and will not do is detailed on Slide 14, [Exhibit B](#). It will provide adequate time for collaboration to determine how to retain and rehabilitate these units to keep them affordable through the existing owner or through a new purchaser. It will support the Nevada affordable housing supply and availability for those people who need it.

If the housing project will no longer be affordable, this bill will give tenants a 12-month time frame to find other housing. That is critical.

This bill will not impact the budget. It has no fiscal impact. It will not affect homeowners because it only applies to multifamily rental properties built using the financing tools mentioned earlier. It will not affect privately funded multifamily properties.

It does not provide additional funding for preservation. It seeks only to preserve funding already invested. It does not mandate local governments to do anything

differently or additionally. It does not force an owner to offer rent subsidies or to relocate tenants when the affordability restrictions expire. It does not remove any owner property rights.

We are not talking about taking anything; we are talking about preserving.

STEVE AICHROTH (Administrator, Housing Division, Department of Business and Industry):

I will present Proposed Amendment 3125 to S.B. 12 ([Exhibit C](#)) section by section starting on Slide 15, [Exhibit B](#). Slide 16, [Exhibit B](#), lists the definitions in section 2 of [Exhibit C](#) applicable to the affordability of housing. I would like to focus on one definition, "qualified contract," because it is key to understand what we are trying to accomplish.

The qualified contract described on Slide 17, [Exhibit B](#), was established in 1989, three years after the enactment of the 1986 Tax Reform Act. It originally was intended to reduce windfalls to property owners, but it has the opposite effect. It statutorily determines a sales price which is typically higher than market rate, creating an inflated sales price for the property. It also allows a property to leave affordability restrictions before the expiration of the prescribed 30-year affordability period. It gives the Housing Division 12 months to locate a purchaser for the property at the inflated price. Once the QC is obtained, the residents have three years before the affordability restrictions are removed.

To better understand this in relation to the bill, I will go over the affordability timelines, Slide 18, [Exhibit B](#). Imagine 2 buckets of 15 years each. Starting at the top right of the Slide, the 2 blue boxes represent the first 15 years in which everything runs at the same time. At Year 15, the project is eligible for the QC process. At this point, the timeline bifurcates into a potential expiration and then termination.

We will look at contract expiration first. Contract expiration represents the fulfillment of the 30-year obligation and is indicated by the green arrow on the right of Slide 18, [Exhibit B](#). The QC process is available any time during the second 15-year period. It does not just occur at Year 15. We can issue additional tax credits in the second 15-year period which will extend the affordability restrictions for another 30 years. That is what is meant by preservation.

It should be noted that in the past five years with any tax credit obtained through the Division, whether for new construction or preservation, the owner had to waive the right to exercise the QC process.

I will now focus on contract termination. Termination represents the abandonment of affordability restrictions before the 30-year contract timeline is completed. That is indicated on Slide 18, [Exhibit B](#), by the red arrows on the left. Should an owner exercise the QC option, the Division is notified by the owner. The onus is on the Division because it has one year to locate a purchaser for the property. Most times, this is quite difficult due to the difference between the IRS-determined price and the actual market rate value of the property.

If a purchaser can be located, the property will retain the affordability restrictions until at least the termination of the 30-year period. However, in most cases a buyer cannot be located. If this is the case, the residents will still have affordability restrictions in place for the next three years. Once the affordability restrictions expire, the property can change to market rate rent. The residents are at risk of being displaced due to the increased rent.

I will turn to the section 3 topic of Proposed Amendment 3125, termination of affordability restriction, Slide 19, [Exhibit B](#). Section 3 provides the requirements for an owner to exercise his or her termination rights. When an owner submits a request to obtain a QC for a property to the Division, he or she must also provide written notice to the local jurisdictions and to each tenant of the property. The Division is required to notify its other partners in affordable housing. The request from the owner must be done within 12 months before the termination.

The balance of section 3 contains the requirements for the notices and the potential for penalties.

Section 4, Slide 20, [Exhibit B](#), contains the requirements for an owner who intends to exercise his or her expiration rights. Going back to the timeline, Slide 18, [Exhibit B](#), this is the path indicated by the green arrows.

The balance of section 4 mirrors the requirements for the notices established in section 3 but with a few differences because this is an expiration process, not a termination process. While the Division will receive notice at least one year

before the expiration date, in some cases the affordability restrictions will last longer than what is prescribed because there might be an additional funding stream which supports longer affordability. The language in section 4 of Proposed Amendment 3125 contemplates this situation.

Section 5, Slide 21, [Exhibit B](#), contemplates the requirements when a property owner exercises voluntary affordability. Many of our partners, particularly mission-driven and nonprofit developers, may continue the affordability restrictions on the property. The notification requirements are similar to those discussed in section 4. Because the owners are doing this voluntarily, both the Division and the affordable housing community are interested in ensuring the tenants are notified should those affordability restrictions cease. The Division is notified in order to locate another partner and keep the affordable housing data base intact.

Slide 22, [Exhibit B](#), sections 3, 4 and 5, addresses the requirements for the notifications to local jurisdictions and tenants. The notifications to local governments must include details about the property, the expiration of the affordability restrictions and the contact information of the owner. The notifications to the tenants must describe the timeline, the protections they have, a description of housing resources and the contact information of the owner.

The penalties for failure to provide this information are expressed in both sections 3 and 4, the terminations and expirations, section 4 of Proposed Amendment 3125, and shown on Slide 23, [Exhibit B](#). In both cases, the Division can impose up to a \$10,000 administrative fine for failure to notice. In addition to what is shown on Slide 23, [Exhibit B](#), section 3, the termination timeline, Slide 18, [Exhibit B](#), indicates that those who exit affordability restrictions through the QC process will not be able to apply for any tax credit program for the next five years.

The Division intends to work with our partners to adopt regulations for administrative fines because \$10,000 seems excessive for someone who inadvertently misses the notification timeframes, which might be their first offense. We did not include these penalties in section 5 for those who are providing voluntary affordability because it would be punitive to those who are good actors.

Section 6, Slide 24, [Exhibit B](#), contains the timelines for these provisions. Everything becomes effective on October 1.

SENATOR RATTI:

Someone renting a subsidized affordable unit could be in three separate situations. The individual could reside in a property built prior to 5 years ago with a 30-year affordability restriction but does not have protection from the developer using a QC to terminate the affordability restriction. In that case, there is a process by which the Division is notified, perhaps the tenants will or will not be notified, and there is a three-year time frame before that project will be returned to market rate.

We have not allowed that to happen on new projects for the past five years. Through the contracting process, the developer must waive his or her right to terminate the contract. However, we cannot go back retroactively to all those projects built 15 years ago. If a developer chooses to exercise the QC option, many units could be terminated and lose affordability early.

The second situation is property owners who choose not to terminate early, allowing the affordability restrictions to run the full 30 years. At the thirtieth year, the affordability restrictions on those properties expire. At that time, the tenants are at risk of being charged the market rate and the community is at risk of losing that property.

In both of these cases, we want a year's notice to enable local governments, advocates and the Division to intervene and determine if those properties can be saved. We cannot force the owner to do anything. But in many cases, if we have the opportunity, we can offer additional tools to keep the property affordable. In some cases, we can organize a sale to someone who wants to keep the units affordable. We need a year to work on it and try to save those properties.

Then there is a third situation in which the 30-year expiration has passed. Often, nonprofit developers choose to keep the property affordable because they are good actors in our community whose mission is to keep it affordable.

We are separating them because if they decide not to continue the affordability restriction, we still want the 12-month notice. However, it is not appropriate to penalize them because they are well past the contract expiration date. We are

asking them to give notice so the tenants can be notified. If there are only 18 units for every 100 needed in extremely low income and only 40 for every 100 needed in low income, it is hard for these individuals to find housing once they lose those affordable units.

SENATOR NEAL:

I understand what is going on in this bill. Have other states implemented the notification process and the possible \$10,000 fine? Have there been challenges on undue restraint on a contractual term?

MR. AICHROTH:

Other states have preservation laws in place. The National Council of State Housing Agencies recommends the notification process and that when tax credits are issued, the developer should be required to waive the ability to exit the affordability restrictions early through the QC process.

SENATOR RATTI:

Because we understand we are dealing with existing contracts, we worked with the Legislative Counsel Bureau (LCB) Legal Division to determine if anything we were doing would abrogate existing contracts. The answer was that we were staying within a safe space.

SENATOR NEAL:

Is it correct that as long as you are waiving a criteria or in the period where the contract is going to expire, it is okay to insert a new affordable restriction time frame?

SENATOR RATTI:

That is the answer we received.

SENATOR NEAL:

Is there a federal conflict and has any state been sued for doing it?

SENATOR RATTI:

Not that we are aware of.

SENATOR GOICOECHEA:

Looking at your numbers in the presentation, you showed about 7,500 units would be at the 30-year point and over 5 percent of them are in disrepair and

could not be repaired. At what point do you determine you have to write them off because it is not feasible to rebuild them?

SENATOR RATTI:

We recognize that. We highlighted on Slide 10, [Exhibit B](#), that not every unit is salvageable. It is still critically important in that situation that the tenants get the 12-month notice to give them time to start making plans for what their next step might be. When the 12 months expire, the developer can flip that property to market rate and possibly charge even more rent for an undesirable unit.

SENATOR GOICOECHEA:

It sounds like at that point they could go ahead and flip to market rate even though it is borderline habitable.

SENATOR RATTI:

They could probably charge \$1,400 a month for it in Reno because the supply and demand is so challenging.

SENATOR HANSEN:

I am uncomfortable calling people bad actors who are actually fulfilling the terms of their contracts. After 30 years, their contracts say they can open it up to the market, and somehow that makes them bad actors.

What is the policy for termination when they hit that 13-year window and have the opportunity to possibly change to a market-based rent? What is the notification time frame in law?

SENATOR RATTI:

We are not calling anyone a bad actor. We are calling some developers good actors because once they have gotten past their 30-year contract restriction, they still keep units affordable. Most of them are nonprofits like Nevada HAND or a housing authority with a mission. We are not saying that if they do not maintain affordability they are bad actors. There are just some good actors who go well beyond the constraints of their contracts to keep affordability.

MR. AICHROTH:

Developers come to the Division, indicate they want to go through the QC process and submit a request to the Division which starts the one-year clock to find someone to purchase the property.

SENATOR HANSEN:

They have a one-year window. The only thing changing with this bill is if they do not do it within that one-year window, you are going to fine them up to \$10,000.

MR. AICHROTH:

No.

SENATOR HANSEN:

I am confused. For example, if I hit my 13-year window, how much time do I have legally to notify you that by the fifteenth year I am going to switch to a market-based system?

MR. AICHROTH:

You have one year in that process.

Senator HANSEN:

The only thing changing is the \$10,000 fine if someone does not notify in the one-year window.

SENATOR RATTI:

On a termination, the owner has one year to execute the QC and is required to notify only the Division. It is unclear whether the Division can notify local governments, housing authorities and others who might be interested in approaching that developer to determine if the affordability can be extended. With this bill, the notification would go to the Division, local governments and critically important, the tenants—tenants need to know.

SENATOR HANSEN:

I understand. You are expanding who is notified.

SENATOR RATTI:

That is correct only on the termination portion. If a contract is nearing the 30-year mark, the owner has chosen not to do the QC and is going for the full 30 years; no notification is required. If you are one of the great players and the property will be affordable forever, no one needs to be notified.

Because tenants do not know if they are in a QC property, a 30-year property or a great-player property, under this bill every tenant, no matter what, will get

that 12-month notice. Local governments and others that might be able to intervene will have one year to work with that developer to keep the property affordable.

SENATOR HANSEN:

I was concerned that this constitutes an impairment of contract. However, if LCB says this is okay, so be it. It still seems like you are changing the rules midstream on some of these people.

CHAIR DONDERO LOOP:

Someone asked me a question about Section 8 housing. Can you confirm whether this has anything to do with Section 8 of the Housing Act of 1937?

SENATOR RATTI:

That is a complicated question. Section 8 of the Housing Act of 1937 has multiple programs. There are two ways in which we accomplish affordability. One way is to build affordable projects and put people in affordable units with a subsidy. The other way is to buy down the rent for people in a market rate.

The HUD manages the Section 8 voucher program. Under the voucher program, a housing authority issues a voucher to an individual. That person finds an apartment on the market and the voucher helps that person buy down the rent. For example, if the rent is \$1,200 per month, the person gets a \$300 voucher; he or she can afford a \$1,200-per-month apartment but is only going to pay \$900 while HUD pays the rest. That should not affect the bill.

However, other Section 8 projects help build affordable units. Almost every affordable housing project has multiple layers of funding sources. Some of these projects could have Section 8 funding that helped build the unit in the first place. So if that is the question, in theory one of these projects could include Section 8 housing funding.

MR. AICHROTH:

You are correct; however, you went a little astray. Section 8 funding is not used in the construction of the project but is used to potentially help occupants of that particular development.

SENATOR RATTI:

For example, I have a constituent who is living in an affordable unit. The affordability was bought down with LIHTC. Then a Section 8 voucher buys down the rent because that individual is extremely low income. The person is in an affordable unit made even more affordable with the Section 8 voucher because he lives on \$865 per month.

CHAIR DONDERO LOOP:

This question was probably about the Section 8 voucher program and having to identify housing in which someone has to be in the Section 8 voucher program.

NICK VANDER POEL (Nevada Rural Housing Authority):

The Nevada Rural Housing Authority (NRHA) supports S.B. 12. As presented, S.B. 12 provides additional tools in the tool box to help address affordable housing in Nevada. The NRHA thanks Senator Ratti for her continued mission and leadership in helping this critical topic in Nevada.

AUDRA HAMERNIK (President, Nevada HAND):

Nevada HAND is the State's largest nonprofit affordable housing developer. We operate over 34 communities in southern Nevada that help over 7,900 residents each year which include working families and seniors on fixed incomes. Affordable housing is a key component of our community, and we are happy to provide guidance on best practices.

Nevada HAND supports S.B. 12 as amended which provides residents with sufficient and proper notice if their homes will no longer be subject to affordability standards. Like many other affordable housing developers, Nevada HAND relies on federal LIHTC and other governmental programs to finance our projects. Our mission as a nonprofit developer is dedicated to providing affordable housing even after those affordable housing terms expire. Senate Bill 12 proactively engages with owners to preserve affordable housing.

I have submitted written testimony supporting S.B. 12 ([Exhibit D](#)).

EILEEN PIEKARZ (Rural Community Assistance Corporation):

The Rural Community Assistance Corporation (RCAC) is a nonprofit organization with staff based in Fallon, Fernley, Reno and Las Vegas. We work to provide technical assistance and training on affordable housing, water and wastewater systems, and economic development in rural communities.

I encourage you to support S.B. 12 because it will help facilitate preservation of Nevada's existing precious affordable housing stock. It will ease the transition of low-income families who might have to relocate should properties be converted to market rate housing.

The RCAC has experience working with rural communities to assemble a package of financing to preserve affordability of existing rental properties. We know it can be successful, but we also know it takes time. Notice requirements in S.B. 12 can facilitate this outcome.

KELLY CROMPTON (City of Las Vegas):

The City of Las Vegas supports S.B. 12, and we thank Senator Ratti for bringing forward this important piece of legislation.

Senate Bill 12 will help discourage the failure to provide adequate notices regarding termination of affordability restrictions to tenants who are low income, financially vulnerable or financially distressed. This legislation allows tenants to financially prepare for possible changes in their living situations such as those tenants participating in the City's sponsored home program.

Affordable housing is an ongoing issue within the City of Las Vegas. The City's Office of Community Services works hard to help prevent members of the community from experiencing homelessness in southern Nevada.

Senate Bill 12 is an important step to help maintain affordable units within the region.

DAVID CHERRY (City of Henderson):

The City of Henderson supports S.B. 12. This bill is important because it will assist in our efforts to maintain a supply of affordable housing to serve the needs of our community.

The notification mechanism in the bill will provide advance warning regarding the potential loss of affordable housing units. It will provide critical time for municipalities and the partners they work with to assess available options and mitigate any negative effects such a change may have on residents who rely on this housing.

EMILY PAULSEN (Executive Director, Nevada Homeless Alliance):

The Nevada Homeless Alliance urges you to support S.B. 12. The availability of affordable housing is key to addressing homelessness. This bill will add an important tool to our State's affordable housing toolbox.

JOANNA JACOB (Clark County):

Clark County supports S.B. 12 for all the reasons you heard previously. The longer notice period provided in the bill to local governments and to Clark County, as the regional service provider, will give us critical time to work with our community partners to preserve affordable housing in our community which is a priority for Clark County.

CHRISTINE HESS (Executive Director, Nevada Housing Coalition):

The Nevada Housing Coalition (NHC) supports S.B. 12. The NHC is a Statewide nonprofit with about 100 members representing the public and private sectors, urban and rural across Nevada. It was established to advance affordable housing for all Nevadans.

Affordable housing is a complex issue impacting more than just the ability of Nevadans to have safe shelter. The rent eats first. This means that when Nevadans do not have affordable housing available, although they still may have a roof over their heads, they are unable to pay for the basics like food and healthcare. They also have limited capacity to take advantage of workforce development and education opportunities to advance themselves as our economy diversifies. They are coming from a place of crisis. They are housing-insecure.

We simply cannot recover from the loss of 7,500 high-risk units over 5 years. We are already in a deficit. Senate Bill 12 supports our ability to preserve these high-risk units.

This bill is practical in implementation, not overly burdensome and respectful of our existing public investment. The NHC would like to emphasize our commitment to its successful implementation through our strategic priorities of advocacy, education and collaboration.

I have also submitted my written testimony supporting S.B. 12 ([Exhibit E](#)).

JARED LUKE (City of North Las Vegas):

I echo all of the previous comments supporting S.B. 12 and add that the City of North Las Vegas supports this bill. This is good legislation for the residents of North Las Vegas and of the State in general.

I agree with the comment made earlier about Maslow's hierarchy of needs. It is important to identify what those needs are and help people who are in situations where they need to take advantage of affordable housing, to have a home and to meet basic needs so we can look forward to a new future. These people can reach out and look for new employment as we expand our economy. If they are worried about the basic needs such as where they will live and a roof over their heads, then it is impossible for people to reach out and succeed in life.

BROOKE PAGE (Director, Corporation for Supportive Housing):

As a member of the Advisory Committee on Housing, the Corporation for Supportive Housing, a National nonprofit organization, supports this bill for the preservation of affordable housing units in Nevada. This will ensure we have the necessary units, especially for those who are extremely low income and households that are in need in this crisis.

CALLI WILSEY (City of Reno):

The City of Reno supports S.B. 12 for the various reasons discussed by other commenters. Maintaining our affordable housing is a critical issue for our community, and it is highlighted in our legislative platform.

ERIC NOVAK (President, Praxis Consulting Group LLC):

The Praxis Consulting Group LLC provides financial assistance for affordable housing developments in Nevada.

I am speaking in strong support of S.B. 12 which we believe is a great first step toward the preservation of our valuable affordable housing stock in Nevada. It takes several years and much public subsidy to plan and construct new affordable properties. However, over the last several years we have been losing units faster than we can create them due to properties expiring out of their affordable restrictions or owners exercising a loophole in the regulations to opt out early in a process called qualified contract.

The notification provisions in S.B. 12 will give the Housing Division and local governments advance notice of properties exiting the affordable housing

program. It will buy us time to connect properties for sale with good affordable housing stewards and to assemble resources to preserve some of these developments.

Two years ago, we lost 500 units in downtown Reno at Courtyard Centre and City Center to the qualified contract process. By the time the City of Reno learned of the sale, it was too late to act. With S.B. 12, the owner would have been required to notify the City in advance of opting out of the affordability restrictions.

I have one suggestion for improving the effectiveness of the bill. Section 4, subsection 2, of Proposed Amendment 3125 reads if the project is subject to affordability restrictions with different expiration dates, the written notice required pursuant to subsection 1 must be provided not less than 12 months before the latest... . I recommend striking "latest" and replace it with "earliest date on which an affordability restriction... ." I am also recommending adding the words "for the majority of the affordable units expires."

Many projects with 100 percent LIHTC also have a small number of units with HOME fund restrictions that have longer expiration dates. This change would ensure that the notification occurs when the tax credits expire and not the HOME funds which are often a token number of units in the transaction.

CHAIR DONDERO LOOP:

Mr. Novak, may I suggest that you please contact the sponsor to see if she would be interested in an amendment?

MR. NOVAK:

I will forward our comments to the working committee.

SENATOR RATTI:

We have struck a balance here. The bill does not abrogate anyone's property rights. When someone reaches the period of termination or expiration and chooses to sell the property or return it to market rate, that can still be done. It is insignificant to ask for 12-months' notice. We have seen other states in which developments have been saved if they can get to the developer with the tools to keep the project affordable. If the developer wants to sell, often he or she will sell to someone who will keep it affordable. We will be able to save some of these units, not all of them.

CHAIR DONDERO LOOP:

I will close the hearing on S.B. 12 and open the hearing on S.B. 150.

SENATE BILL 150: Makes changes to provisions relating to housing. (BDR 22-221)

SENATOR DALLAS HARRIS (Senatorial District No. 11):

I will present S.B. 150 as contained in the conceptual amendment ([Exhibit F](#)).

Senate Bill 150 has one goal which is to require localities to find a place to put tiny homes. In some parts of Nevada, there is no place to put a tiny home. It is not quite a single-family residence and not quite a recreational vehicle or a mobile home. I acknowledge that at the State level, we are not the zoning experts. Therefore, my goal with this bill is to push that decision-making down to the local level. I am asking local governments to find places to put tiny homes.

I have made a couple of distinctions for counties with populations over 800,000 to designate a zone for tiny houses as an accessory dwelling unit, a single-family dwelling unit and to allow for tiny home parks. For those counties with populations of 100,000 or less, I am asking them to do any one of the 3 options. If they are capable, I would like them to do all three, but at least they will be able to address the desire and the need for tiny homes in Nevada.

In addition, local governments will be able to provide additional requirements for the structure to be designated a tiny home. We will ask that they designate the tiny house as an accessory dwelling unit in an appropriate zoning designation, as a single-family unit or as a tiny house within an appropriately zoned tiny home park.

The certificate of occupancy for a tiny house may allow the house to be used for residential purposes as either a single-family dwelling or an accessory dwelling unit, whichever is appropriate.

Any certificate of occupancy for a tiny house not on a permanent foundation can only be issued when it is located on a parcel of land and only for that location. If a tiny home receives a certificate of occupancy and then is moved to a different parcel, a new certificate of occupancy would have to be issued.

The bill concludes by placing a few requirements on any designated tiny house park. We will need to ensure there are provisions for the tiny houses to be adequately spaced, allowing for public safety, including but not limited to firefighting equipment and vehicles and for the placement of utilities. We also need provisions for individual or community water and wastewater services and minimum spacing requirements, minimum or maximum size for the park itself, and appropriate open space and parking. Local entities are best suited to make these decisions.

This bill does not require tiny homes to be built. It does not require municipalities to overlap residential zoning with tiny home zoning if they choose not to do so. It does not require localities with populations under 100,000 to zone all 3 options: the accessory dwelling unit, the single-family residence and the tiny home park. Smaller localities without a zoning staff will not be overwhelmed with all three of these options. All three may not be needed in some of these rural areas.

SENATOR GOICOECHEA:

Is the square footage of a tiny house defined?

SENATOR HARRIS:

Based upon this bill, a tiny home will be defined by reference to the *International Residential Code*, Appendix Q or its successor versions. It is currently 400 square feet, not including a loft.

SENATOR NEAL:

I understand you want to create a zone, but how do these tiny houses grow in value? I see them as a drag on the value of a single-family residence. Are there any studies indicating how these grow in value and benefit the local economy?

SENATOR HARRIS:

That is a great question. Unfortunately, I do not have any numbers on how these homes appreciate versus other single-family residences. I am happy to do some research on that.

To one of your concerns, Senator Neal, it is unlikely that in Clark County tiny houses will be placed next to existing single-family residences or allowed a mix in which there is a two-story house and then a tiny home next to it. We do not want to interact with property values in that way. This is another reason why I

am leaving it up to localities to decide where the best place is to put tiny homes.

MATT WALKER (Southern Nevada Home Builders Association):

The American Planning Association and others have developed National best practice standards regarding how to assess and value stand-alone tiny homes and tiny home parks.

An accessory dwelling unit would be part of the parcel associated with the original single-family home. They would not be sold as separate parcels. The tiny home would be an improvement that should be valued and assessed based on the overall residential home's value.

Tiny homes are critical in states like Washington and Minnesota in revitalizing communities by allowing seniors to age in their homes because they give them an additional revenue source. It is a way to plug extra life and density into some of the more established communities.

SENATOR NEAL:

I am glad you brought up dense areas where redevelopment or other things might occur. If local jurisdictions are allowed to determine where tiny homes will be located, how do you prevent them from going into an area where they are not wanted?

I know I am saying this in a derogatory way because I am not a fan of tiny houses. I do not want them to go into poor areas where I want redevelopment to occur for good, sustainable homes, such as the American dream home.

SENATOR HARRIS:

You are addressing a couple of things, disparities in zoning which I cannot fix with this bill and a difference in our philosophies about tiny homes. This is something I personally would choose to live in and maybe build as a permanent residence because of who I am and my own personal taste.

I see these as a stepping stone to larger home ownership in the American dream sense and not as a hindrance to that eventual dream. I would like to allow those—who would like—to build a tiny home. For example, someone has land on Mt. Charleston and wants to put a tiny home on that land, but there is nowhere to put it. For those who would like to buy one or who would like to

put one in their backyard, I would like to give them the option. I am hoping tiny homes can be an alternative for those who cannot take the first step to get that 20 percent down for a \$275,000 home.

MR. WALKER:

The situation in which accessory dwelling units are allowed across a variety of residential zones enables redevelopment without changing the existing residential nature of the neighborhood. Someone might come into the Historic Westside and determine the only way to revitalize this area is to raze some of those parcels and start something brand-new. Accessory dwelling units are a way to inject investments, increase values and revitalize communities while preserving the existing zoning types.

We hope Clark County, North Las Vegas and others will look at best practices from Washington, New Hampshire or Minnesota. Instead of picking a spot here and there and saying that is an appropriate place for tiny homes, be bold enough to adopt policies across residential categories and determine that they are appropriate for accessory dwelling unit redevelopment by using tiny homes. That would be appropriate and have a more organic and maybe a less-concentrated development of tiny homes. It seems that is important to you and would be an important community discussion.

SENATOR NEAL:

Infrastructure such as water, wastewater and fire prevention was mentioned earlier. This goes back to my first question about the property value of tiny homes. If an area is a local improvement district or however the area is zoned, how is this paid for if tiny homes become a part of a zoning area? For example, the tiny houses are accessory dwellings in a park that can be moved in and out, but the services have been designated for that zone and the homeowners in these tiny houses. Typically, the homeowner pays for those services. But if there is a vacancy or a foreclosure or whatever, it becomes a blight.

SENATOR HARRIS:

I do not see tiny home parks operating differently than mobile home or recreational vehicle parks when it comes to spacing requirements and room for utilities. I would hope localities have the same kind of protections in place for something that is abandoned or becomes dilapidated. This bill will not change that significantly.

MR. WALKER:

I echo Senator Harris's comments. The Southern Nevada Health District, local governments and others make great efforts to ensure there are contingencies in place in whatever they plan regarding wastewater and other utilities. In the case of a park, an overall master developer would be needed if those lots are not going to be fee simple transfers to the owners. I defer to our local government partners and utilities on how that would work in the case of a park closure. There are significant structures in place.

Senator Harris took a pretty light touch in imposing a structure on local governments. We hope they would be able to innovate and best meet the needs of their communities as they implement these policies.

CHAIR DONDERO LOOP:

When I heard you talking about putting one on a lot, is there a limit to how much I can customize a tiny home? For example, I start with 400 square feet and add 200 more square feet, and 200 more square feet and end up with a big house that is an add-on, add-on.

SENATOR HARRIS:

This would not be any different than adding on to a single-family residence. If the lot is zoned for 5,000 square feet and you continue to make improvements and add on, of course you would need to get approval for construction; you would have to make sure the add-ons do not put you out of the zoning you are already in. The same would apply to a tiny home. Tiny homes have a maximum square footage of 400 square feet, including a loft, which may adjust as the *International Residential Code* evolves. You could build up a little, but you would have to stay within your zoning regulation as for any other building structure.

MR. WALKER:

The Senator is meaningfully addressing this issue by plugging tiny homes into a regulatory structure where a building permit is pulled by the local government instead of just plopping one of these in someone's backyard. We are creating a regulatory structure in which local governments can get their arms around these structures to ensure public safety and the character of neighborhoods are being meaningfully protected. We are also determining where we can push the envelope in providing these innovative living spaces for residents.

But as you add square footage such as a porch or other things, you would need to get a permit from the body where you obtained the original permit for the tiny home. We hope that body coordinates with its local code enforcement and planning departments and keeps checking to ensure they are striking the balance between safety, property rights and the ability of people to customize and enjoy their properties.

CHAIR DONDERO LOOP:

When you purchase a mobile home, you purchase it from a dealer. The mobile home is then placed on a piece of property within a mobile home park. Are tiny homes the same type of system? If I want to buy one or want to live in a tiny home, where does it come from? I understand if I already have one, or if there might be one I can rent or move into, but how does it get to where it is going to be placed?

SENATOR HARRIS:

You can buy tiny homes from Amazon or Ikea. However, it is my hope that once the regulatory structure is opened up, developers will start building tiny home communities. It is my hope that Howard Hughes Properties, Inc. might put a tiny home community in Summerlin. Many more options will be available as opposed to an individual having to do it alone. I see all of these being options in the future.

MR. WALKER:

There are two common paths to get to a tiny home. One is on a chassis. It has independent engineering or certification by the Housing Division. That is the predominant model now, but that is because local governments have not yet moved to adopt Appendix Q from the *International Residential Code*. We understand why they have not because it is a little less than three years old. We hope to see many more site-built homes in which you would call a qualified contractor, or maybe he or she would market to you instead of going the route of modifying a manufactured structure to meet local standards and codes.

SENATOR HANSEN:

When I did housing tracts, one of the more popular options were mother-in-law quarters. They sound similar to the tiny house concept. The concern I have though is if these are stand-alone at some point. This may be what Senator Neal was getting at. A major fear would be if the people who buy or live in tiny homes create greater costs to the cities and counties than tiny homes produce

in the property taxes. That becomes a concern because other types of residential housing end up subsidizing these on the tax front versus the amount of the tax people consume. Could you address that?

SENATOR HARRIS:

I would like to commit to get more research for the Committee on property taxes, how tiny homes are assessed, how the values of these have been assessed and whether there has been appreciation.

It is not the intent of the bill to bring down property values or to require tiny homes to take anything away from the community. I want to add to the community. The assumption underlying your question is that only certain people may choose to build these homes or live in them. I challenge that assumption.

Mr. WALKER:

New development is the No. 1 driver of property taxes under our property tax structure. As someone who has worked on a few homes yourself, we hope you are a fan and continue to support policies like this that get outside the box and encourage new development. We see this as a net positive on property tax values when properly implemented.

Local governments can adopt impact fees to offset the cost of development whether that is for fire service or the need for additional sewer service. Southern Nevada has robust impact fee programs that can be charged to new homes to ensure they are not a burden on surrounding communities. Nothing in this bill would limit local governments from doing that whether through a sewer impact fee on an accessory dwelling unit or, in the case of a new community with all fee simple tiny homes, assessing a fire service fee appropriate for that community. Southern Nevada does a fantastic job of planning for those impacts and allowing the fees to offset that instead of the neighboring residents picking up the tab for the additional service needs.

SENATOR HANSEN:

I look forward to seeing those reports.

SENATOR OHRENSCHALL:

I have seen tiny homes in Las Vegas and unincorporated Clark County. Would the tiny house proposed in the conceptual amendment only be tiny homes or could it include manufactured homes? Could it be a mixture of both?

MR. WALKER:

I will have to defer to local governments on that question regarding their willingness to do so. I understand the importance of that question because key consumer protections are in place for residents of parks. There would need to be meaningful conversations about how that would transition to some sort of new type of ownership. We would be happy to take that offline and answer questions after we have had conversations with local governments.

I have submitted written testimony supporting S.B. 150 ([Exhibit G](#)).

SENATOR HARRIS:

If local jurisdictions find the best way to create zoning for this is to allow mixed use, they will be able to do that. If they find it is best for their area to keep tiny homes separate from traditional manufactured homes, they will be able to do that. It is my intention to push these decisions down to the local level and allow them to zone as they see fit.

CHAIR DONDERO LOOP:

It is my understanding that we are depending on local entities to put the parameters of who, what and where on these tiny homes. Is that correct?

SENATOR HARRIS:

Yes, that is correct.

DANIEL PIERROTT (Nevada Builders Alliance):

The Nevada Builders Alliance supports S.B. 150. I have submitted written testimony supporting S.B. 150 ([Exhibit H](#)).

CHELSEA LOOMIS:

I support S.B. 150. I echo the comments that families or people all need secure housing.

I have family in Europe who live in high-end parts of town in a 400-square-foot unit which is considered palatial. It is all relative. We are discussing a whole new category of housing with high-end furnishings. In the same way that Starbucks revolutionized going out and having a cup of coffee, tiny homes are revolutionizing how someone can gain independence.

The tiny home is often built or paid for in cash by people. They take much pride in them, take care of them and travel with them. You have to understand many of these people are working mobile, or they are authors, writers or things like that. It is a different category of housing. That is one category.

The other category is the small home. Someone asked a question about appreciating property values. The best way to do it is to create that category and put them on a foundation. There is a tiny home community like that in Bend, Oregon.

A ranch in Mammoth has put tiny homes on its property and is renting them. They are creating all kinds of tourist revenue. That is another category for them.

The best way to take dependent people off of the public assistance rolls is to give them a way to build wealth. This gives them a foot in the door, particularly with smaller homes, possibly even with the tiny home. If they can get their foot in the door with a mini mortgage, a mini mortgage of \$150,000 is doable.

MR. LUKE:

The City of North Las Vegas thanks the sponsor for working with us and being transparent on the intent of S.B. 150. We appreciate the Committee for their questions and identifying areas in which this bill needs clarification.

We understand that each jurisdiction has its own unique zoning and ordinance codes. We commit to work with Senator Harris on clarifying final language.

WARREN HARDY (Urban Consortium):

The Urban Consortium is an entity made up of the cities of Henderson, Las Vegas, Reno and Sparks. Our goal is to unify efforts to make this Session easier on the cities and their staffs as well as on the Legislature and its staff.

The Urban Consortium is neutral on S.B. 150. We are reviewing a couple of amendments presented to us over the weekend. We just received Senator Harris's amendment this morning.

We appreciate the opportunity to continue to participate in the discussion. We appreciate Senator Harris's acknowledgement that zoning is primarily in the purview of local governments. We also recognize the appropriateness of the Legislature setting general policy objectives on these kinds of issues.

DAGNY STAPLETON (Executive Director, Nevada Association of Counties):

We are neutral on the proposed conceptual amendment. On behalf of the Nevada Association of Counties' rural members, we appreciate the Senator's willingness to recognize that requiring all of the tiny home zones for single family, parks and accessory dwelling units may not be a good fit for all counties, especially our smallest counties. Some of them have very few zoning districts and some already allow tiny homes. We appreciate more flexibility in the options for rural counties.

We appreciate the Senator's recognition of the State's frameworks and that land use planning, zoning and development codes are local responsibilities, carried out at the local level based on the particular needs, geography, demographics and other factors that vary from county to county.

We appreciate the Senator working with us. We stand ready to continue to do that as we move forward.

STEVE WALKER (Douglas County; Lyon County; Storey County; Carson City):

I am testifying neutral on the conceptual amendment and am waiting to see the LCB amendment. I thank Senator Harris for working with rural counties to address our concerns.

The rural issue is the concentration of tiny homes without having both sewer and water. Having a 10,000-square-foot lot with 4 tiny homes on it is the same as having a single home on an individual acre. Having that type of density on sewers and domestic wells throughout Nevada would contaminate the groundwater. The conceptual amendment allows us to address our issue.

We will continue to be involved and look forward to achieving positive outcomes for all.

Ms. JACOB:

We worked with Senator Harris on the original bill over the weekend. What you see before you is the conceptual amendment. Like previous callers, Clark County recognizes that zoning, local land use and planning is better left at the local level.

It was an interesting discussion today. I appreciate the comments from Senator Neal and Senator Hansen. These comments are why we want to take the time to study it and determine where to locate these in Clark County.

Clark County is in the midst of a major effort called Transform Clark County to rewrite our entire development code. This bill is timely, and we want to ensure we make the right decisions for our community. We welcome anyone's input in that process.

We are neutral on S.B. 150. We will work with the Senator on the conceptual amendment and final bill language and bring it back to this Committee.

JAMIE RODRIGUEZ (Washoe County):

Tiny homes are allowed in different areas of Washoe County. Based on our understanding from the sponsor and from what she said today, that allowance would continue without having to create new zoning for tiny homes.

I appreciate that local jurisdictions are able to add any stipulations necessary for tiny homes. For example, to be considered a single-family dwelling, the unit has to be on a permanent foundation which is covered in other portions of our building code.

We are neutral on S.B. 150. We look forward to continuing to work with the sponsor as we move from a conceptual amendment into draft language.

SENATOR HARRIS:

I look forward to continue working with the large variety of stakeholders to get them over the finish line.

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Senate Committee on Government Affairs
March 8, 2021
Page 31

CHAIR DONDERO LOOP:

I will close the hearing on S.B. 150. Having no further business to come before the Senate Committee on Government Affairs, we are adjourned at 5:28 p.m.

RESPECTFULLY SUBMITTED:

Suzanne Efford,
Committee Secretary

APPROVED BY:

Senator Marilyn Dondero Loop, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit Letter	Begins on Page	Witness / Entity	Description
	A	1		Agenda
S.B. 12	B	1	Senator Julia Ratti	Presentation
S.B. 12	B	12	Bill Brewer / Nevada Rural Housing Authority	Presentation
S.B. 12	B	15	Steve Aichroth / Housing Division	Presentation
S.B. 12	C	1	Steve Aichroth / Housing Division	Proposed Amendment 3125
S.B. 12	D	1	Audra Hamernik / Nevada HAND	Written Testimony
S.B. 12	E	1	Christine Hess / Nevada Housing Coalition	Written Testimony
S.B. 150	F	1	Senator Dallas Harris	Conceptual Amendment
S.B. 150	G	1	Matt Walker / Southern Nevada Home Builders Association	Written Testimony
S.B. 150	H	1	Daniel Pierrott / Nevada Builders Alliance	Written Testimony