

**PROPOSED REGULATION OF THE
COMMISSION FOR COMMON-INTEREST
COMMUNITIES AND CONDOMINIUM HOTELS**

NAC 116, 116A & 116B

AGENCY DRAFT

January 28, 2022

EXPLANATION – Matter in *italics* is new; matter in brackets [omitted material] is material to be omitted.

Section 1. Chapter 116 of NAC is hereby amended by adding thereto the provisions set forth in section 2 inclusive, of this regulation.

Section 2. *To determine if a violation of the association’s governing documents poses an imminent threat of causing a substantial adverse effect on the health, safety or welfare of the units’ owners or residents of the common-interest community, the Commission has established three tiers of criteria that may be used by executive boards, including degrees of severity and the maximum amount of fine under each tier. The amount of the fine must be commensurate with the severity of the violation and must be determined by the executive board in accordance with the governing documents.*

Tiers Described:

- a. Tier 1 - Violation through a failure to use a level of care and caution that an ordinary person would use in similar circumstances, impacting one or more units’ owners, residents, or invitees within the common-interest community. The amount of the fine must be commensurate with severity of violation, but may not exceed \$500 for each violation.*
- b. Tier 2 - Violation involving a gross, willful, wanton and/or reckless disregard for the safety and reasonable treatment of one or more units’ owners, residents, or invitees within the common-interest community. The amount of the fine must be commensurate with severity of violation but may not exceed \$2,500 for each violation. An association must obtain a court order to enforce an individual fine in excess of \$1,000 up to \$2,500 for each violation under this tier.*

- c. Tier 3 - Violation involving wrongful acts done with the apparent intent of causing harm to one or more units' owners, residents, or invitees within the common-interest community. The amount of the fine must be commensurate with severity of violation but may not exceed \$5,000 for each violation. An association must obtain a court order to enforce an individual fine in excess of \$2,500 up to \$5,000 for each violation under this tier.*
- 2. A violation of an association's governing documents shall not be determined to constitute an imminent threat of causing a substantial adverse effect on the health, safety, or welfare of the units' owners or residents if it consists solely of:*
- (a) Using vulgar, profane or abusive language;*
 - (b) Voicing opposition to, or support for, any matter affecting the common-interest community; or*
 - (c) Any act committed by a unit's owner, tenant or invitee which could fall under a "nuisance" provision of the association's governing documents.*
- 3. Nothing in this section precludes the association from establishing behavioral, etiquette or anti-bullying policies in accordance with the association's governing documents which could result in a fine limited to the \$100 cap provided in statute.*

Section 3. NAC 116.385 is hereby amended to read as follows:

NAC 116.385 ~~[Executive board:]~~ **Submission to Division of contact information** ~~[for members].~~ (NRS 116.615, 116.625)

1. An executive board *member* shall provide to the Division their names, *primary* mailing addresses, *including primary electronic mailing address*, and telephone numbers ~~of the members of the executive board~~ in accordance with NRS 116.625. The information required pursuant to this subsection must be kept confidential by the Division and may only be used by the Division for purposes of notifying a member of the executive board of any action or proceeding involving the association *and to provide educational resources.*
2. The executive board *or the community manager for the association* shall:
 - (a) Indicate on a form prescribed by the Division any change in the contact information of a member of the executive board *or change in community manager*; and
 - (b) Submit the form to the Division within 30 days of any such change.

Section 4. NAC 116.405 is hereby amended to read as follows:

NAC 116.405 Executive board: Determination by Commission of whether members have performed their duties. ([NRS 116.3103](#), [116.615](#)) In determining whether a member of the executive board has performed his or her duties pursuant to [NRS 116.3103](#), the Commission may consider whether the member of the executive board has:

1. Acted outside the scope of the authority granted in the governing documents;
2. Acted for reasons of self-interest, gain, prejudice or revenge;
3. Committed an act or omission which amounts to incompetence, negligence or gross negligence, *including but not limited to:*

(a) Incurring excessive costs or liability for the association;

(b) Intentionally hindering a member of the executive board or the executive board's ability to conduct business;

(c) Continuing to perform an act which was previously included in a notice sent pursuant to NRS 116.31031;

(d) Acting unilaterally as an executive board member without obtaining a quorum pursuant to NRS 116.3109;

4. Except as otherwise required by law or court order, disclosed confidential information relating to a unit's owner, a member of the executive board or an officer, employee or authorized agent of the association unless the disclosure is consented to by the person to whom the information relates;

5. Impeded or otherwise interfered with an investigation of the Division by:

- (a) Failing to comply with a request by the Division to provide information or documents;

- (b) Supplying false or misleading information to an investigator, auditor or any other officer or agent of the Division; or

- (c) Concealing any facts or documents relating to the business of the association;

6. Kept informed of laws, regulations and developments relating to common-interest communities;

7. Cooperated with the Division in resolving complaints filed with the Division; and

8. Caused the association to:

- (a) Comply with all applicable federal, state and local laws and regulations and the governing documents of the association;

- (b) Uniformly enforce the governing documents of the association;

(c) Hold meetings of the executive board with such frequency as to properly and efficiently address the affairs of the association;

(d) Obtain, when practicable, at least three bids from reputable service providers who possess the proper licensing before purchasing any such service for use by the association;

(e) Consult with appropriate professionals as necessary before making any major decision affecting the association or the common elements, including, without limitation, consulting with a reserve study specialist who is registered pursuant to [chapter 116A](#) of NRS and [chapter 116A](#) of NAC when conducting the reserve study, as required by subsection 2 of [NRS 116.31152](#) and [NRS 116A.420](#);

(f) Deposit all funds of the association for investment in government securities that are backed by the full faith and credit of the United States or in a financial institution whose accounts are insured by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund, the Securities Investor Protection Corporation or a private insurer approved pursuant to [NRS 678.755](#);

(g) Maintain current, accurate and properly documented financial records;

(h) Establish policies and procedures for the disclosure of potential conflicts of interest and the appropriate manner by which to resolve such conflicts;

(i) Establish policies and procedures that are designed to provide reasonable assurances in the reliability of financial reporting, including, without limitation, proper maintenance of accounting records, documentation of the authorization for receipts and disbursements, verification of the integrity of the data used in making business decisions, facilitation of fraud detection and prevention, and compliance with the applicable laws and regulations governing financial records;

(j) Prepare interim and annual financial statements that will allow the Division, the executive board, the units' owners and the accountant or auditor to determine whether the financial position of the association is fairly presented in accordance with the provisions of [NAC 116.451](#) to [116.461](#), inclusive;

(k) Make the financial records of the association available for inspection by the Division in accordance with the applicable laws and regulations of this State;

(l) Cooperate with the Division in resolving complaints filed with the Division, *including abiding by any previous decision, determination or instruction provided by the Ombudsman's Office*; and

(m) Adopt and fairly enforce the collection policies of the association.

Section 5. NAC 116.410 is hereby amended to read as follows:

NAC 116.410 Adoption by reference of reporting principles and practices of financial accounting. ([NRS 116.615](#))

1. For purposes of providing recommended reporting principles and practices of financial accounting for common-interest communities, the Commission hereby adopts by reference the *PPC's Guide to Homeowners' Associations and Other ~~[Common-Interest]~~ Realty Associations*. A copy of the publication may be obtained ~~[for the price of \$222 from Practitioners Publishing Company, P.O. Box 966, Fort Worth, TX 76101-0966, by telephone]~~ at ~~[(800) 431-9025 or~~ <https://tax.thomsonreuters.com/en> ~~the Internet address~~ <http://ppe.thomson.com/SiteComposer2/Index.cfm?numProdClassID=201&txtFuse=dspShellProductDetail&numSiteID=2&numTaxonomyTypeID=29&numTaxonomyID=232>].

2. If the publication adopted by reference in subsection 1 is revised, the Commission will review the revision to determine its suitability for this State. If the Commission determines that the revision is not suitable for this State, the Commission will hold a public hearing to review its determination and give notice of that hearing within 90 days after the date of the publication of the revision. If, after the hearing, the Commission does not revise its determination, the Commission will give notice that the revision is not suitable for this State within 90 days after the hearing. If the Commission does not give such notice, the revision becomes part of the publication adopted by reference pursuant to subsection 1.

Section 6. NAC 116.415 is hereby amended to read as follows:

NAC 116.415 Contents of budget to maintain reserve. ([NRS 116.31151](#), [116.615](#)) An executive board shall, in addition to the requirements set forth in paragraph (b) of subsection 1 of [NRS 116.31151](#), include in the budget to maintain the reserve:

1. An estimate of the amount of reserve funds necessary in the projected fiscal year, based on industry standards, to complete the maintenance, repairs, replacement or restoration of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore as recommended in the *most*

recent study of reserves conducted pursuant to NRS 116.31152 *or as recommended in the most recently updated study of the reserves described in NAC 116.425(1)(o)*; and

2. If the projected balance of the reserve account at the end of the budgeted fiscal year is less than the amount required to adequately fund the reserves on a reasonable basis at the end of the budgeted fiscal year, as determined by the *most recently updated or conducted* study of reserves *as described in subsection 1* [~~conducted pursuant to NRS 116.31152~~]:

- (a) The reason for the difference; and
- (b) How this difference is proposed to be resolved by the executive board.

Section 7. NAC 116.425 is hereby amended to read as follows:

NAC 116.425 Reserve study: Contents. (NRS 116.31152, 116.615)

1. A reserve study must, in addition to the requirements set forth in NRS 116.31152, include:
 - (a) A 30-year schedule which shows:
 - (1) The actual or projected beginning balance of the reserve fund;
 - (2) The projected increase in reserve contributions to the reserve fund, adjusted for inflation, that will be required in any given year to provide adequately funded reserves;
 - (3) The estimated interest income, net of projected federal income tax, earned in the reserve fund;
 - (4) The projected expenditures from the reserve fund; and
 - (5) The projected ending balance of the reserve fund;
 - (b) The names and credentials of any consultants and other persons with expertise used to assist in the preparation of the reserve study;
 - (c) Any written reports prepared by consultants and other persons with expertise;
 - (d) If there are any conflicting recommendations of the consultants or other persons with expertise while preparing the reserve study, a written explanation as to which recommendations were selected and the reasons for their selection;
 - (e) The number of units in the association;
 - (f) A general statement describing the current status of the reserve fund;
 - (g) A general statement describing the overall status of the reserves of the association;
 - (h) The beginning and ending dates for which the reserve study is prepared;

(i) A general statement describing the reconciliation, development or computation of the initial balance of the reserve fund;

(j) A listing and detailed description of each major component of the common elements;

(k) A table showing the remaining useful life of each major component of the common elements from the time of each component's initial or last installation, maintenance, repair, replacement or restoration;

(l) Using the current replacement cost, a 30-year table that reflects the projected ending reserve fund balance for each year as compared to the fully funded balance for that year;

(m) A general statement describing the objectives of the funding plan that is designed to allocate the costs for the maintenance, repair, replacement and restoration of the major components of the common elements and the methods used in projecting the 30-year funding plan, using the following terms and discussing, where applicable:

(1) Full funding;

(2) Threshold funding; and

(3) Baseline funding;

(n) A statement identifying the sources relied upon to obtain an estimate for the cost to maintain, repair, replace or restore a major component of the common elements;

(o) A detailed description of the type of reserve study that was performed and the level of service accorded to the reserve study, including whether the reserve study was:

(1) A full reserve study in which the following tasks were performed:

(I) An inventory and ~~measurement~~ *quantification* of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore;

(II) An assessment of the condition of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore, which is based upon on-site visual observations if such components and portions are reasonably accessible for such observation;

(III) Estimates of the remaining useful life and valuation of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore;

(IV) Financial analysis of data and the status of the reserve fund; and

(V) Development of a funding plan;

(2) An update to a previous reserve study made pursuant to a visit to the site of the common-interest community in which the following tasks were performed:

(I) A verification of a previous inventory of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore. Unless new major components of the common elements have been added, or the existing inventory of major components of the common elements has changed, since the last reserve study, a quantification of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore is not required;

(II) An assessment of the condition of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore, which is based upon on-site visual observations if such components and portions are reasonably accessible for such observation;

(III) Estimates of the remaining useful life and valuation of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore;

(IV) Financial analysis of data and the status of the reserve fund; and

(V) Development of a funding plan; or

(3) An update to a previous reserve study made without a visit to the site of the common-interest community in which the following tasks were performed:

(I) Estimates of the remaining useful life and valuation of the major components of the common elements and any other portion of the common-interest community that the association is obligated to maintain, repair, replace or restore;

(II) Financial analysis of data and the status of the reserve fund; and

(III) Development of a funding plan;

(p) The disclosures set forth in [NAC 116.430](#); and

(q) A statement, prominently displayed, which reads substantially as follows:

(1) The projected life expectancy of the major components and the funding needs of the reserves of the association are based upon the association performing appropriate routine and preventative maintenance for each major component. Failure to perform such maintenance can negatively impact the remaining useful life of the major components and dramatically increase the funding needs of the reserves of the association.

(2) Material issues which are not disclosed to the person conducting the study of the reserves would cause the condition of the association to be misrepresented.

2. As used in this section, “adequately funded reserves” means the funds sufficient to maintain the common elements:

(a) At the level described in the ~~governing documents and in a~~ reserve study; and

(b) Without using the funds from the operating accounts or without special or reserve assessments, except for occurrences that are a result of unforeseen catastrophic events.

Section 8. NAC 116.427 is hereby amended to read as follows:

NAC 116.427 Reserve study: ~~Commencement of~~ period for conducting reserve study. (NRS 116.31152, 116.615)

1. For the purposes of paragraph (a) of subsection 1 of NRS 116.31152, the 5-year period for conducting a reserve study commences on the date on which the on-site inspection of the major components is performed.
2. *The executive board has 210 days after receiving a draft of the initial reserve study from the reserve study specialist to adopt the results of the study.*
3. *For the purposes of this section, the next full reserve study conducted pursuant to NRS 116.31152 must be commenced with an on-site inspection prior to the culmination of five years from the date of last on-site inspection.*
4. *Nothing in this section precludes the executive board from having an update to a previous reserve study conducted within the 5-year period without a full reserve study being performed. Such an update would not restart the clock for the 5-year period.*

Section 9. NAC 116.435 is hereby amended to read as follows:

NAC 116.435 Reserve study: Dissemination of summary of results. (NRS 116.31152, 116.615) ~~Not later than 210 days after the executive board receives a draft of the reserve study, t~~The executive board, *or a person acting on behalf of the executive board,* shall submit a summary of *the results of* the reserve study to the Division pursuant to subsection 4 of NRS 116.31152 by filing, electronically if possible, ~~on~~ a Form ~~609-as~~ prescribed by the Division, ~~the summary of the results of the reserve study with the Division. The Division~~

~~may post the summary of the results of the reserve studies filed with the Division on its website.~~

Section 10. NAC 116.445 is hereby amended to read as follows:

NAC 116.445 Annual fee required from certain associations for deposit in Account for Common-Interest Communities and Condominium Hotels. ([NRS 116.31155](#))

~~—1. Before July 1, 2016, the amount of the fee that an association is required to pay pursuant to [NRS 116.31155](#) is \$3 for each unit in the association.~~

~~—2. —~~ On and after July 1, 2016, the amount of the fee that an association is required to pay pursuant to [NRS 116.31155](#) is \$4.25 for each unit in the association.

Section 11. NAC 116.457 is hereby amended to read as follows:

NAC 116.457 Preparation, contents and availability of audited financial statements; qualifications of auditor. ([NRS 116.31142](#), [116.31144](#), [116.615](#))

1. The audited financial statement of an association must:

(a) Include a full presentation of accrual-basis accounting prepared in accordance with generally accepted accounting principles which includes, at a minimum:

(1) A balance sheet for the operating fund and reserve fund, presenting assets, liabilities and fund balances;

(2) A statement of revenues and expenses for the operating fund and reserve fund which presents information about all assessments, revenues and expenses;

(3) A statement of changes in fund balances which reconciles beginning and ending fund balances with results of operations;

(4) A statement of cash flows;

(5) Any note disclosures as required by the *Guide*; and

(6) The following unaudited supplementary information:

(I) Any reserve disclosures as required by the *Guide* and [NRS 116.31152](#); and

(II) An accompanying schedule which compares details of the actual expenses of the association to the budgeted amounts of the association.

(b) Be prepared, ~~and~~ completed, *and adopted* not later than 210 days after the end of the fiscal year for the association.

- (c) Be made available to the Division not later than 30 days after requested by the Division.
 - (d) Include on the annual registration form with the Division the following information:
 - (1) The amount of budgeted revenues;
 - (2) Whether the financial statements were audited or reviewed and, if so, the date on which the audit or review of the financial statements was completed; and
 - (3) Whether the audit opinion is qualified or unqualified or whether the review report is modified or unmodified.
2. An auditor performing the annual audit for an association must:
- (a) Be a certified public accountant licensed pursuant to [chapter 628](#) of NRS.
 - (b) Be independent of the association as set forth in the *Guide*.

Section 12. NAC 116.465 is hereby amended to read as follows:

~~[NAC 116.465 Fees for preparation of certificate for resale of unit. (NRS 116.4109, 116.615)~~

~~1. Except as otherwise provided in subsection 2, an association may not charge more than \$160 for preparing the certificate furnished pursuant to [NRS 116.4109](#).~~

~~2. If a unit's owner or an authorized agent thereof requests that the certificate be furnished sooner than 3 business days after the date of the request, the association may charge a fee not to exceed \$125 to expedite the preparation of the certificate.~~

~~3. Nothing in this section is to be construed to prohibit an association from requiring a fee for any other copy, form or service.]~~

Section 13. NAC 116.470 is hereby amended to read as follows:

NAC 116.470 Fees and costs for collection of past due obligations of unit's owner. ([NRS 116.310313](#), [116.615](#))

1. Except as otherwise provided in subsection 5, to cover the costs of collecting any past due obligation of a unit's owner, an association or a person acting on behalf of an association to collect a past due obligation of a unit's owner may not charge the unit's owner fees in connection with a notice of delinquent assessment pursuant to paragraph (a) of subsection 1 of [NRS 116.31162](#) which exceed a total of ~~[\$1,950]~~ **\$2,250**, plus the costs and fees described in subsections 3 and 4.

2. An association or a person acting on behalf of an association to collect a past due obligation of a unit's owner may not charge the unit's owner fees in connection with a notice of delinquent assessment pursuant to paragraph (a) of subsection 1 of [NRS 116.31162](#) which exceed the following amounts:

(a) Demand or intent to lien letter.....	[\$150] \$165
(b) Notice of delinquent assessment lien.....	325
(c) Intent to notice of default letter.....	90
(d) Notice of default.....	400
(e) Intent to notice of sale letter.....	190 125
(f) Notice of sale.....	275 325
(g) Intent to conduct foreclosure sale.....	25 75
(h) Conduct foreclosure sale.....	125 175
(i) Prepare and record transfer deed.....	125 175
(j) Payment plan agreement - One-time set-up fee.....	30 50
(k) Payment plan breach letter.....	25
(l) Release of notice of delinquent assessment lien.....	30 50
(m) Notice of rescission fee.....	30 50
(n) Bankruptcy package preparation and monitoring.....	100 200
(o) Mailing fee per piece for demand or intent to lien letter, notice of delinquent assessment lien, notice of default and notice of sale.....	2
(p) Insufficient funds fee.....	20 30
(q) Escrow payoff demand fee.....	150 200
(r) Substitution of agent document fee.....	25 50
(s) Postponement fee.....	75
(t) Foreclosure fee.....	150 200

3. If, in connection with an activity described in subsection 2, any costs are charged to an association or a person acting on behalf of an association to collect a past due obligation by a person who is not an officer, director, agent or affiliate of the community manager of the association or of an agent of the association, including, without limitation, the cost of a trustee's sale guarantee and other title costs, recording costs, posting and publishing costs, sale costs, mailing costs, express delivery costs and skip trace fees, the association or person acting on behalf

of an association may recover from the unit's owner the actual costs incurred without any increase or markup.

4. If an association or a person acting on behalf of an association is attempting to collect a past due obligation from a unit's owner, the association or person acting on behalf of an association may recover from the unit's owner:

(a) Reasonable management company fees *for services including, sending the statutory pre-collection notice required pursuant to NRS 116.31162 and the active-duty military notice required by NRS 116.311625* which may not exceed a total of \$~~200~~325; and

(b) Reasonable attorney's fees and actual costs, without any increase or markup, incurred by the association *or person acting on behalf of the association* for any legal services which do not include an activity described in subsection 2.

5. If an association or a person acting on behalf of an association to collect a past due obligation of a unit's owner is engaging in the activities set forth in [NRS 116.31162](#) to [116.31168](#), inclusive, with respect to more than 25 units owned by the same unit's owner, the association or person acting on behalf of an association may not charge the unit's owner fees to cover the costs of collecting a past due obligation which exceed a total of ~~\$1,950~~ \$2,250 multiplied by the number of units for which such activities are occurring, as reduced by an amount set forth in a resolution adopted by the executive board, plus the costs and fees described in subsections 3 and 4.

6. For a one-time period of 15 business days immediately following a request for a payoff amount from the unit's owner or his or her agent, no fee to cover the cost of collecting a past due obligation may be charged to the unit's owner, except for the fee described in paragraph (q) of subsection 2 and any other fee to cover any cost of collecting a past due obligation which is imposed because of an action required by statute to be taken within that 15-day period.

7. As used in this section, "affiliate of the community manager of the association or of an agent of the association" means any person who controls, is controlled by or is under common control with a community manager or such agent. For the purposes of this subsection:

(a) A person "controls" a community manager or agent if the person:

(1) Is a general partner, officer, director or employer of the community manager or agent;

(2) Directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote or holds proxies representing, more than 20 percent of the voting interest in the community manager or agent;

(3) Controls in any manner the election of a majority of the directors of the community manager or agent; or

(4) Has contributed more than 20 percent of the capital of the community manager or its agent.

(b) A person “is controlled by” a community manager or agent if the community manager or agent:

(1) Is a general partner, officer, director or employer of the person;

(2) Directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote or holds proxies representing, more than 20 percent of the voting interest in the person;

(3) Controls in any manner the election of a majority of the directors of the person; or

(4) Has contributed more than 20 percent of the capital of the person.

(c) Control does not exist if the powers described in this subsection are held solely as security for an obligation and are not exercised.

Section 14. NAC 116.550 is hereby amended to read as follows:

NAC 116.550 Investigation and audit of financial accounts of association; remedial and disciplinary action. ([NRS 116.615](#))

1. The Division may investigate and audit all financial accounts related to an association if the Division has reasonable cause to believe that the accounts or records of the association have not been properly maintained and ~~[the Division:]~~

~~—(a) Has reasonable cause to believe or has received a credible complaint that the association is insolvent or is in any financial condition or has engaged in any financial practice which creates a substantial risk of insolvency; or~~

~~—(b) D~~determines that ~~the~~ investigation and audit are reasonably necessary to assist the Division in administering or enforcing any other provision of this chapter, [chapter 116](#) of NRS or any other statute that the Division is charged with administering or enforcing.

2. The Commission may, after notice and hearing, take action pursuant to [NRS 116.785](#) if the Division finds that a person has committed a violation of this chapter or [chapter 116](#) of NRS.

~~—[3. As used in this section, “insolvent” or “insolvency” means a condition in which an association is unable to meet its, or a community manager is unable to meet his or her,~~

~~liabilities as those liabilities become due in the regular course of the association's or community manager's business and which creates a substantial risk of harm to the association.]~~

Section 15. NAC 116A.090 is hereby amended to read as follows:

NAC 116A.090 “Supervising community manager” defined. (NRS 116A.200)

“Supervising community manager” means a community manager who:

1. Meets the qualifications set forth in NAC 116A.165; and
2. ~~Is~~ *May be* responsible for the supervision of:
 - (a) ~~one or~~ *No* more *than three* provisional community managers; ~~or~~ *and*
 - (b) *One or more* community managers.

Section 16. NAC 116A.137 is hereby amended to read as follows:

NAC 116A.137 Expiration of temporary certificate. (NRS 116A.200, 116A.410)

1. Except as otherwise provided in subsection 2, a temporary certificate, *which is valid for 1 year after the date on which the temporary certificate is issued*, expires *after the completion of 1 year of employment* ~~1 year after the date on which the temporary certificate is issued~~.

2. If a person who holds a temporary certificate obtained the temporary certificate by submitting the material described in paragraph (b) of subsection 3 of NAC 116A.112 and the person ceases to be employed by the association which made an offer of employment to the person:

(a) The temporary certificate expires as of the time that the employment of the person ceases; ~~and~~

(b) Not later than 10 days after the person ceases to be employed by the association or agent of an association, the association or agent shall notify the Division that the employment of the holder of the temporary certificate has ceased; *and*

(c) The person must complete the requirements for a provisional community manager before becoming a certified community manager.

3. A temporary certificate may not be renewed, and no person may obtain another temporary certificate after the temporary certificate issued to that person has expired.

Section 17. NAC 116A.138 is hereby amended to read as follows:

NAC 116A.138 Requirements for issuance of certificate upon expiration of temporary certificate. (NRS 116A.200, 116A.410) Upon the expiration of a temporary certificate, *after the completion of 1 year of required employment*, the Division shall issue a certificate to the person who held the temporary certificate if the person has:

1. Completed not less than 18 hours of instruction relating to the Uniform Common-Interest Ownership Act as set forth in this chapter, chapter 116 of NAC and chapters 116 and 116A of NRS;
2. Satisfied the requirements of NAC 116A.110, 116A.115 and 116A.125; and
3. Not been the subject of any disciplinary action pursuant to this chapter, chapter 116 of NAC or chapter 116 or 116A of NRS.

Section 18. NAC 116A.140 is hereby amended to read as follows:

NAC 116A.140 Renewal of certificate. (NRS 116A.200, 116A.410)

1. A certificate must be renewed biennially *and is effective the first day of the month following the expiration date.*
2. Except as otherwise provided by subsection 5, the Division shall renew a certificate if the applicant submits to the Division before the expiration of the certificate:
 - (a) A completed application on a form prescribed by the Division;
 - (b) The statement described in NRS 116A.440;
 - (c) The fee required by NAC 116A.515 for renewal; and
 - (d) Documentation of the successful completion by the applicant of at least 18 hours of continuing education in courses approved by the Commission within the 2 years immediately preceding the date on which the certificate expires. At least 3 hours of the continuing education must consist of instruction relating to this chapter, chapter 116 of NAC and chapters 116, 116A and 116B of NRS, with an emphasis on recent changes to those chapters.
- ~~3. The renewal of a certificate is effective on the date on which the renewal is issued.~~
4. If the holder of a certificate fails to complete the required hours of continuing education or fails to file an application for the renewal of the certificate before it expires, the holder may not engage in the management of a common-interest community until the certificate is reinstated.
5. The Division may refuse to renew a certificate if:

(a) The applicant has been convicted of, or entered a plea of guilty or nolo contendere to, forgery, embezzlement, obtaining money under false pretenses, larceny, extortion, conspiracy to defraud or possessing for the purpose of sale any controlled substance or any crime involving moral turpitude;

(b) The applicant fails to complete, sign and submit the statement required pursuant to NRS 116A.440;

(c) The Division receives a copy of a court order issued pursuant to NRS 425.540 that provides for the suspension of all professional certificates and permits issued to the applicant; or

(d) The applicant has engaged in conduct which is grounds for disciplinary action pursuant to NAC 116A.355 and has been disciplined by the Division or Commission.

6. If the Division, after an application to renew a certificate in proper form has been filed, accompanied by the proper fees, refuses to renew the certificate, it shall give notice of this fact to the applicant within 15 days after the ruling, order or decision. The applicant may file a written request for a hearing before the Commission pursuant to the procedures set forth in NAC 116A.135.

7. If the Division refuses to renew a certificate because it receives a copy of a court order issued pursuant to NRS 425.540 that provides for the suspension of all professional certificates and permits issued to the applicant, the Division shall reinstate the certificate if the Division receives a letter issued by the district attorney or other public agency pursuant to NRS 425.550 to the person whose certificate was suspended stating that the person has complied with the subpoena or warrant or has satisfied the arrearage pursuant to NRS 425.560.

Section 19. NAC 116A.155 is hereby amended to read as follows:

NAC 116A.155 Provisional community managers: General requirements. (NRS 116A.200, 116A.400, 116A.410)

1. A provisional community manager must:

(a) Be supervised by a supervising community manager for a minimum of 2 years; and

(b) Except as otherwise provided in NAC 116A.160, within 2 years after the issuance of the certificate granting provisional status, obtain 3,120 hours of active experience in the following areas:

(1) Financial management of an association;

- (2) Property and facilities management;
- (3) Specific duties relating to the management of a common-interest community as provided in this chapter, chapter 116 of NAC and chapters 116 and 116A of NRS;
- (4) Governance of an association;
- (5) Insurance coverage; and
- (6) Building a sense of community within an association.

2. Except as otherwise provided in subsection 3, upon obtaining 2 years of *supervised*, active experience in this State, a provisional community manager is entitled to act as a community manager without being supervised by a supervising community manager if the provisional community manager submits to the Division:

(a) A statement, on a form prescribed by the Division, completed and signed by ~~the~~ *each* supervising community manager *who oversaw their activity, verifying that verifies*:

(1) The extent of the active experience gained in each of the areas set forth in subsection 1; and

(2) That the provisional community manager has met the active experience requirements set forth in subsection 1;

(b) A certificate of completion for the 18 hours of continuing education required pursuant to NAC 116A.140; and

(c) The fee required by NAC 116A.515 for the renewal of a certificate.

3. A provisional community manager may submit to the Division evidence of any other education or experience that the Division may deem to be equivalent to the requirements of this section.

Section 20. NAC 116A.165 is hereby amended to read as follows:

NAC 116A.165 Supervising community managers: Qualifications and responsibilities.
(NRS 116A.200, 116A.400, 116A.410)

1. A community manager is qualified to act as a supervising community manager if he or she:

(a) Submits to the Division, on a form prescribed by the Division, an application to act as a supervising community manager;

(b) Has been actively engaged in the full-time management of a common-interest community *as a certified community manager* in this State, another state or the District of Columbia for at

least 4 years immediately preceding becoming a supervising community manager, with at least 2 of the 4 years of experience obtained in this State;

(c) Is in good standing with the Division or any state or the District of Columbia where he or she is licensed or certified; and

(d) Is competent to engage in the management of a common-interest community and the supervision of community managers in a manner which will safeguard the interests of the public.

2. A supervising community manager is responsible for:

~~(a) Supervising one or more provisional community managers or community managers;~~

~~(b)~~ (a) Determining the competency of the provisional community managers or community managers who are supervised by him or her to perform delegated tasks of managing a common-interest community;

~~(c)~~ (b) Teaching the provisional community managers and community managers who are supervised by him or her the fundamentals of managing a common-interest community and the ethics of the profession;

~~(d)~~ (c) Supervising the activities and operation of managing a common-interest community;

~~(e)~~ (d) Establishing the policies, rules, procedures and systems that will allow the supervising community manager to review, oversee and manage any business conducted by the provisional community managers or community managers who are supervised by him or her, including any other employees;

~~(f)~~ (e) Establishing reasonable procedures and safeguards for the filing, storage, handling and maintenance of documents that may have a material effect upon the rights or obligations of the parties to the management agreement and the association affected by the management agreement; and

~~(g)~~ (f) Establishing reasonable procedures and safeguards for the handling of any money received on behalf of a client.

3. In establishing the policies, rules, procedures and systems pursuant to subsection 2, a supervising community manager shall consider the number of community managers and other employees associated with the supervising community manager and the number and location of branch offices operated or managed by the supervising community manager.

4. The supervising community manager shall appoint for each branch office a supervising community manager to supervise and oversee the activities and operations of the branch office.

Section 21. NAC 116A.205 is hereby amended to read as follows:

NAC 116A.205 Requirements for ~~[course: Correspondence]~~ *a Distance Education course.* (NRS 116.615, 116.665, 116A.200, 116A.410)

1. A school who requests approval of a distance education course to fulfill the educational requirements for an original certificate must demonstrate to the satisfaction of the Commission that the proposed distance education course satisfies the following requirements:

(a) The course must be designed to ensure that students actively participate in the instructional process by utilizing techniques that provide students with the opportunity for continuous audio and visual communication with the instructor during the presentation of the course.

(b) The proposed methods of instruction used in the course must be appropriate to the proposed learning objectives of the course, and the scope and depth of the instructional materials must be consistent with the proposed learning objectives.

(c) The school shall utilize procedures which reasonably ensure that a student who receives credit for completing the course actually performed all the work required to complete the course. The school shall retain any records of student participation together with all other course records maintained.

(d) The school shall provide appropriate technical support to enable students to complete the course satisfactorily.

(e) An approved instructor must be reasonably available to respond timely to questions asked by students concerning the subject matter of the course and to direct students to additional sources of information. For the purposes of this paragraph, a response by an approved instructor shall be deemed timely if the response is made within 2 business days after the question is submitted.

*2. If the Commission approves a school to give a course of study which fulfills the educational requirements for an original certificate and ~~[the school offers the course by correspondence]~~ *the course is a distance education course, the school shall ~~[1. R]~~ require each student to:**

(a) Pass a closed-book final examination with a minimum score of 75 percent and with a proctor present at a location designated by the school in its application for approval filed with the Commission;

(b) Take two progress examinations or quizzes in addition to the final examination;

(c) Prove his or her identity before he or she is allowed to take any examination; and

(d) Complete each course within an established minimum and maximum time.

~~[2.]~~ **3. The school must** ~~C~~certify the completion of only the number of hours for which the course has been approved by the Commission. A portion of a course does not satisfy the requirements for an original certificate.

Section 22. NAC 116A.250 is hereby amended to read as follows:

NAC 116A.250 Restrictions on receipt of credit for course; final examination. (NRS 116.615, 116.665, 116A.200, 116A.410)

1. A course may not be taken for credit to meet the requirements for continuing education more than once during ~~any two consecutive periods for a~~ renewal *period of a certificate*.

2. Courses taken to satisfy requirements for renewal or reinstatement of a certificate must be completed within 2 years immediately before the latest date for renewing or reinstating the certificate.

3. A holder of a certificate may receive credit for continuing education only upon certification by the sponsor that the holder of the certificate has attended and completed at least 90 percent of the course.

4. The sponsor shall determine whether a final examination is required for the completion of a course.

Section 23. NAC 116A.340 is hereby amended to read as follows:

NAC 116A.340 Change of name, address, association or supervising community manager. (NRS 116A.200, 116A.400, 116A.410)

1. A community manager shall give written notice to the Division of any change of name, address or association within 10 business days after the change occurs and pay the appropriate fee required by NAC 116A.515.

2. A ~~provisional supervising~~ community manager shall give written notice to the Division of ~~any change of his or her supervising community manager~~ *a termination of any provisional community manager* within 10 business days after the ~~change termination~~ occurs ~~and pay the appropriate fee required by NAC 116A.515.~~

3. *A provisional community manager shall give written notice to the Division of any change of his or her supervising community manager within 30 business days after the change occurs and pay the appropriate fee required by NAC 116A.515.*

3 4. Failure to give notice as required by this section constitutes cause for the involuntary inactivation of the certificate or temporary certificate.

Section 24. NAC 116A.350 is hereby amended to read as follows:

NAC 116A.350 Allegations of misconduct; submission of complaint; investigation and report; action by Administrator; appeal. ([NRS 116A.200](#), [116A.400](#), [116A.410](#))

1. If a person who alleges that a community manager is guilty of misconduct sends the allegations of misconduct in writing to the community manager in an attempt to resolve the issue without filing a complaint with the Division, the community manager shall, in good faith, acknowledge and respond in writing to the person making the allegations within 12 working days after he or she receives the allegations.

2. A complaint about a community manager must:

- (a) Be submitted to the Division on a form provided by the Division;
- (b) Be signed by the person submitting the complaint; and
- (c) Include, without limitation:

(1) The identity of the community manager who is alleged to have violated a provision of this chapter or [chapter 116](#) of NRS, and the nature of the alleged violation;

(2) All evidence supporting the allegations, including, without limitation, as appropriate, corroborating statements by other persons or specific information as to persons who may be contacted to provide such corroboration;

(3) The name, address and telephone number of the person submitting the complaint;

(4) Documents that evidence an attempt by the person submitting the complaint to resolve the issue with the executive board or the community manager, including, without limitation, any

written response of the executive board or the community manager to the allegations of the person submitting the complaint; and

(5) If filed by a tenant of a unit's owner, ratification of the complaint by the unit's owner without the use of a power of attorney by the tenant.

3. Upon receipt of a complaint that complies with subsection 2, the Division shall forward the complaint to an investigator. The investigator:

(a) Shall send a ~~copy~~ *summary* of the complaint to the community manager and the executive board of any association which relates to the subject of the complaint;

(b) Within 12 working days after the receipt of the allegations, shall attempt to obtain a response in writing from the person who is the subject of the complaint;

(c) May make such inquiries and investigation into matters relating to the allegations in the complaint as the investigator deems appropriate; and

(d) Shall submit to the Administrator a written report that summarizes the findings and conclusions of the investigator.

4. Upon review of the written report of the investigator, if the Administrator determines that grounds for disciplinary action against the community manager exist, the Administrator may take one or more of the following actions as he or she deems appropriate:

(a) Issue a letter of censure to the community manager who is the subject of the complaint;

(b) Levy an administrative fine of:

(1) For the first offense, not more than \$1,000; and

(2) For the second offense, not more than \$5,000;

(c) Require the community manager to obtain additional education relating to the management of a common-interest community;

(d) Refer the matter to the Commission;

(e) Refer the matter to the Real Estate Commission; or

(f) Refer the matter to the Attorney General of this State.

5. The Administrator may initiate an investigation, audit or inspection of the records of any community manager or any person who performs the duties of a community manager in this State.

6. Any action taken by the Administrator pursuant to subsection 4 may be appealed by the community manager upon written request to the Commission within 30 days after the Administrator takes such action.

7. As used in this section, “investigator” means a person whom the Division deems to be impartial and qualified with respect to the matter in a complaint and who is designated by the Division to investigate a complaint pursuant to this section.

Section 25. NAC 116A.420 is hereby amended to read as follows:

NAC 116A.420 Registration: Qualifications; refusal or revocation by Division. ([NRS 116A.200](#), [116A.430](#))

1. A person is qualified by training and experience to register as a reserve study specialist if the person has:

- (a) A good reputation for honesty, trustworthiness and integrity;
- (b) The ability to evaluate the items on the component inventory with regard to normal and accelerated deterioration, deferred maintenance, remaining years of useful life and the current cost to maintain, repair, replace or restore;
- (c) The ability to perform necessary financial analysis, cost estimates and 30-year projections, as applicable;
- (d) The ability to review improvement plans and specifications, maintenance histories, recorded plats and governing documents of the association in order to compile a complete component inventory and to consult with the executive board to ascertain and confirm that the component inventory is complete;
- (e) The ability to gather and analyze relevant financial data, including, without limitation, monthly assessment fees per unit, the current reserve accounts, the anticipated tax rates on earnings, the anticipated interest rate on reserves, and the anticipated inflation and maximum increases in assessment fees;
- (f) Successfully completed at least ~~3~~ 6 hours of education in courses approved by the Commission relating to [chapters 116, 116A](#) and [116B](#) of NRS, *three of which must consist of instruction relating to financial matters* ~~[and the regulations adopted pursuant thereto, with an emphasis on recent changes to those chapters and regulations]~~; and
- (g) The background and knowledge pertinent to all areas to be addressed by the reserve study.

2. If the Division finds that a person who has submitted a registration to the Division is not qualified by training and experience to register as a reserve study specialist, the Division shall:

- (a) If the Division has not yet registered the person, refuse to register the person as a reserve study specialist.
- (b) If the Division has registered the person, revoke the registration.

Section 26. NAC 116B.160 is hereby amended to read as follows:

NAC 116B.160 Adoption by reference of reporting principles and practices of financial accounting. (NRS 116B.805)

1. For purposes of providing recommended reporting principles and practices of financial accounting for common-interest communities, the Commission hereby adopts by reference the *PPC's Guide to Homeowners' Associations and Other ~~[Common-Interest]~~ Realty Associations*. A copy of the publication may be obtained ~~[for the price of \$222 from Practitioners Publishing Company, P.O. Box 966, Fort Worth, TX 76101-0966, by telephone]~~ at ~~[(800) 431-9025 or https://tax.thomsonreuters.com/en the Internet address http://ppc.thomson.com/SiteComposer2/Index.cfm?numProdClassID=201&txtFuse=dspShellProductDetail&numSiteID=2&numTaxonomyTypeID=29&numTaxonomyID=232].~~

2. If the publication adopted by reference in subsection 1 is revised, the Commission will review the revision to determine its suitability for this State. If the Commission determines that the revision is not suitable for this State, the Commission will hold a public hearing to review its determination and give notice of that hearing within 90 days after the date of the publication of the revision. If, after the hearing, the Commission does not revise its determination, the Commission will give notice that the revision is not suitable for this State within 90 days after the hearing. If the Commission does not give such notice, the revision becomes part of the publication adopted by reference pursuant to subsection 1.

Section 27. NAC 116B.220 is hereby amended to read as follows:

NAC 116B.220 Preparation and contents of audited financial statements; qualifications of person performing audit. (NRS 116B.580, 116B.585, 116B.805)

- 1. The audited financial statement of an association must:
 - (a) Be prepared in accordance with generally accepted accounting principles which includes, at a minimum:

(1) A balance sheet for the operating fund and reserve fund, presenting assets, liabilities and fund balances;

(2) A statement of revenues and expenses for the operating fund and reserve fund which presents information about all revenues and expenses;

(3) A statement of changes in fund balances which reconciles beginning and ending fund balances with results of operations;

(4) A statement of cash flows;

(5) Any note disclosures as required by the Guide; and

(6) The following unaudited supplementary information:

(I) Any reserve disclosures as required by the Guide and NRS 116B.605; and

(II) An accompanying schedule which compares details of the actual operating and reserve revenues and expenses of the association to the budgeted amounts of the association.

(b) Be prepared, ~~and~~ completed, *and adopted* not later than 210 days after the end of the fiscal year for the association.

2. The person performing the annual audit for an association must:

(a) Be a certified public accountant licensed pursuant to chapter 628 of NRS.

(b) Be independent of the association as set forth in the Guide.

Section 28. NAC 116B.360 is hereby amended to read as follows:

NAC 116B.360 Fees for preparation of certificate for resale of unit; additional fees. ([NRS 116B.760](#), [116B.805](#))

1. Except as otherwise provided in subsections 2 and 3, a hotel unit owner may not charge more than ~~[\$160]~~ *\$185* for preparing the certificate required by subsection 3 of [NRS 116B.760](#).

2. If a unit's owner or the authorized agent of the unit's owner requests that the certificate described in subsection 1 be provided sooner than 3 business days after the date of the request, the hotel unit owner may, in addition to the fee set forth in subsection 1, charge a fee not to exceed ~~[\$125]~~ *\$100* to expedite the preparation of the certificate.

3. In addition to the fees set forth in subsections 1 and 2, the hotel unit owner may charge a reasonable fee for additional copies or any other service.

TEXT OF REPEALED SECTION

NAC 116.013 “Administrator” defined. (NRS 116.615) “Administrator” means the Real Estate Administrator.

NAC 116.030 “Commission” defined. (NRS 116.615) “Commission” means the Commission for Common-Interest Communities and Condominium Hotels created by **NRS 116.600**.

NAC 116.033 “Common elements” defined. (NRS 116.615) “Common elements” means the common elements of a common-interest community.

NAC 116.040 “Division” defined. (NRS 116.615) “Division” means the Real Estate Division of the Department of Business and Industry.

NAC 116.043 “Executive board” defined. (NRS 116.615) “Executive board” has the meaning ascribed to it in **NRS 116.045**.

NAC 116.046 “Major components” defined. (NRS 116.615) “Major components” means the major components of the common elements, whether real or personal property, which the association is responsible for maintaining, repairing, replacing or restoring, including, without limitation, amenities, improvements, furnishings, fixtures, finishes, systems and equipment.

NAC 116.050 “Management of a common-interest community” defined. (NRS 116.615) “Management of a common-interest community” means the physical, administrative or financial maintenance and management of a common-interest community, or the supervision of those activities, for a fee, commission or other valuable consideration.

NAC 116.080 “Unit’s owner” defined. (NRS 116.615) “Unit’s owner” has the meaning ascribed to it in **NRS 116.095**.