

**SMALL BUSINESS IMPACT STATEMENT
CHANGES TO NAC 116
LCB File: R091-25**

June 9, 2026

1. LCB File: R091-25 Changes to NAC 116 and NAC 116A Small Business Impact Statement pursuant to NRS 233B.0608:

(a) A description of the manner in which comment was solicited from affected small business, a summary of their response and an explanation of the manner in which other interested persons may obtain a copy of the summary.

The Real Estate Division (the ‘Division’) posted the notice of proposed changes to NAC 116 and 116A on the Division’s website and sent the proposed changes to interested parties on February 9, 2026. Along with the proposed changes to NAC 116 and 116A, a survey was posted for small businesses to complete regarding how the proposed changes will affect their business.

The Division received a comment stating the proposed regulations strengthen transparency and accountability in HOA governance, including full fee disclosure, clear scopes of work, spending limits, and mandatory record transfer. The comment further expressed that reserve study reforms are a positive step forward. The comment stated that the elimination of baseline funding and requiring a detailed 30-year projection reduces the risk of sudden special assessments and forces boards to plan responsibly. There was also a comment for the regulation to provide a clearer definition of “imminent threat” to prevent the misuse of health, safety welfare language while still allowing the enforcement of true hazards.

The Division received comments regarding a concern due to references to criminal statutes being used to determine health, safety and welfare violations. The recommendation is that the violation should involve an underlying provision of the governing document before such a determination can be made. There was also concern with the regulations referencing housing and/or health code violations due to an association’s lack of authority to determine municipal code violations. There was also a suggestion to establish a clear appeal process for the imposition of a health, safety, welfare violation. There was also a suggestion to remove the phrase “without limitation” from the regulation as the phrase may create ambiguity by allowing additional undefined violations beyond those listed.

The Division received a comment that law enforcement or other public agencies would be more appropriate to address issues that are categorized as imminent threats. There was a comment that a \$10,000 fine for any HOA regulation is excessive and unnecessary. There was a comment that such judgement to impose a health, safety welfare violation is subjective and with limited options for homeowner appeal, should be taken under consideration.

The Division received a comment stating that any proposed regulation should not rely solely on an assumption that enforcement authority will be exercised in good faith; the possibility that enforcement authority may be exercised in poor, inconsistent or retaliatory manner. There was comment that clear criteria is necessary because the same body that alleges the violation also adjudicates it.

There was also comment that despite the absence of workable regulatory definitions for health safety and welfare, there is no record that demonstrates that existing enforcement mechanisms have been unable to address such situations. There was comment that if the health safety welfare framework is to function within HOA governance, the regulation must provide clear, limited and workable criteria.

The Division received a comment stating that the Legislature directed the Commission to establish criteria appropriate for HOA enforcement through fines. The regulation should avoid duplicating areas of public law enforcement.

The Division received a suggested amendment, with clarification needed of the intent of the Division's investigatory authority. There was concern expressed that confidentiality prevents homeowners from knowing what investigations occur, what violations are alleged and what remedial actions are required to resolve a case. There was a recommendation that an amendment be added to ensure transparency during investigations, requiring the Division to publicly disclose determinations and remedial actions so homeowners have a better understanding of the process.

The Division received a comment that the proposed rulemaking language fails to comply with NRS 233B.100 and creates ambiguity. The statement that the phrase "proceed accordingly" is unclear and requires clarification. The statement that rulemaking proceedings are intended to offer an opportunity for regulators to hear concerns of the public and interested parties. There was comment that the proposed regulation only addresses one part of the rulemaking process.

The Division received a comment that the proposed changes to NAC 116A.325(6)(e) is grammatically unclear and it is not understood whether the duty imposed by the provision applies to the community manager or to an officer of the association.

The Division received a comment questioning the necessity of the proposed regulation as there are already statutory requirements. There was a comment that the proposed changes could obligate a board to accept a study regardless of changing circumstances. There was mention that some associations conduct reserve studies more frequently and the receipt of a study should not automatically require adoption. There was a suggestion to change the language to prohibit approval of studies exceeding 210 days. There was also a suggestion of eliminating this provision of NAC or revising the language to prohibit approval of studies considered too old or with outdated information.

The Small Business Impact Statement and Small Business Questionnaire are available on the Division's website at www.red.nv.gov.

Interested persons may obtain a copy of the small business impact statement or submit statements of impact to:

Shareece Bates, Administration Section Manager
Nevada Real Estate Division
3300 West Sahara Avenue, Suite 350
Las Vegas, NV 89102
PublicComments@red.nv.gov

(b) The manner in which the small business analysis was conducted for LCB File no. R091-25.

The Division took all comments received regarding the proposed changes to NAC 116 and NAC 116A for a period of thirty (30) days. The Division made changes to the proposed regulation when appropriate, taking all comments into consideration.

(c) The estimated economic effect of the proposed regulation on the small businesses which it is to regulate, including, without limitation:

(1) Both adverse and beneficial effects:

(I) Adverse effects:

NAC 116.405; NAC 116.520 The potential for increased legal fees may be associated with the Health and Safety provisions should an association seek legal advice before imposing such fees on homeowners. The potential for a health and safety violation not being cured by a homeowner can result in foreclosure proceedings, ultimately increasing the amount of subsidy offered for mediations will increase costs to the Division. The definition of Classroom is being expanded to include digital platforms. The definition of Live Instruction is also being expanded to include digital platforms and hybrid teaching modes. There should be no adverse effect on small businesses as there is no additional cost to the business or a requirement to change their current practices.

(II) Beneficial effects:

NAC 116.405; NAC 116.427; NAC 116.435; NAC 116.520; NAC 116A.325; NAC 116A.350 – The amount that a unit owner may be charged for a Health and Safety violation may be a deterrent to negligent and/or reckless activities within the homeowner association. Providing consistency and a framework around Health and Safety will allow more consistent application of the standard across HOA's. Regulations provide guidance on petitioning the Division for regulatory changes. The mediation reimbursement costs will allow the Division to attract and retain more mediators in the program. The requirement of an executive board to adopt a reserve study within 210 days will benefit the board and homeowners as the information needed to draft a budget and ensure appropriate and adequate funding for the common elements described in the governing documents. The requirement to maintain a funding level based on the most recently conducted or updated reserve study without reaching a, will ensure that the board is utilizing the most updated recommendations. The regulation establishes requirements related to the transfer of association records and property between community managers to a succeeding manager or officer of the association. This language will provide expectations for identifying, tracking and receiving association records, establishing timeframes for the transfer of property. The regulation also outlines the responsibility of the community manager to notify the homeowners of the termination of a management contract prior to the termination. The regulation also clarifies the requirement that a community manager to acknowledge receipt of allegations of their own misconduct. Regulations requiring temporary community managers to have completed 60 hours of instruction in the management of common-interest communities, will ensure that the certificate holder has a basic level of education to support their experience while working for a community.

(2) Both direct and indirect effects.

(I) Direct effect:

NAC 116.405; NAC 116.520; NAC 116A.138 - A health and safety violation not being cured by a homeowner may result in foreclosure proceedings. Increasing the amount of subsidy offered for mediation will increase costs to the Division. The classroom definition has been expanded to include digital platforms. Definition of Live Instruction has also been expanded to include digital platforms and hybrid teaching modes. No adverse effect on small businesses, as there is no additional cost or requirement to change current practices. Establishes consistency and a framework for the application of Health and Safety standards across HOAs. These regulations provide clear guidance on petitioning the Division for regulatory changes. Mediation reimbursement costs allow the Division to attract and retain more mediators. Requirement for an executive board to adopt a reserve study within 210 days will help the Association better understand the reserve study and plan the budget for the upcoming fiscal year. The requirement of the adoption of the reserve study to be documented in the minutes of the executive board meeting will provide homeowners with a concrete date to reference to ensure ongoing compliance. These regulations establish requirements for the transfer of association records and property between community managers or officers of the board. The requirement for inventory to be completed by the former manager and succeeding manager or client, should help reduce instances of lost or misplaced records, ensuring accurate storage of records.

(II) Indirect effect:

NAC 116.405; NAC 116.520 – Consistent application of Health and Safety standards may reduce disputes and inconsistent enforcement across HOAs. There may be potential for increased legal fees if an association seeks legal advice before imposing Health and Safety fees on homeowners. Timely reserve studies may support better financial planning and budget stability for associations. Clear record-transfer requirements may reduce disputes, delays, and data loss during management transitions.

(d) A description of the methods that the Real Estate Division considered to reduce the impact of Changes to NAC 116 and NAC 116A on small businesses and a statement whether the Real Estate Division actually used any part of those methods.

The Commission will consider methods to reduce the impact of the proposed regulation on small businesses based on comments, survey results and statements received after the 30-day comment period.

(e) The estimated cost to the agency for enforcement of the proposed regulation.

There will be no additional cost to the agency for enforcement of the proposed regulations.

(f) If Changes to NAC 116 and NAC 116A provides a new fee or increases an existing fee, the total annual amount the Real Estate Division expects to collect and the manner in which the money will be used.

There are no fee increases or changes within this proposed regulation.

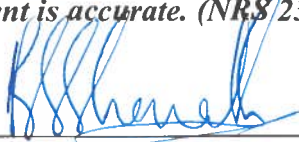
(g) If Changes to NAC 116 and NAC 116 includes provisions which duplicate or are more stringent than federal, state or local standards regulating the same activity, an explanation of why such duplicative or more stringent provisions are necessary.

The proposed regulation does not include any provisions which duplicate or are more stringent than federal, state or local standards.

(h) The reasons for the conclusions of the Real Estate Division regarding the impact of Changes to NAC 116 and NAC 116A on small businesses.

The Commission for Common-Interest Communities and staff from the Real Estate Division after attending public meetings of the Commission for Common-Interest Communities and Condominium Hotels and reviewing surveys, listening to and observing public comments by industry professionals will come to a proper conclusion regarding the impact of the changes to NAC 116 and NAC 116A. The final Small Business Impact Statement will reflect all the input received. This impact statement will be updated as additional comments are received and determinations are made by the Commission.

I certify that, to the best of my knowledge or belief, a concerted effort was made to determine the impact of the proposed regulation on small businesses and that the information contained in this statement is accurate. (NRS 233B.0608(3))



SHARATH CHANDRA, Administrator
Department of Business & Industry
Real Estate Division