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

September 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 May 7, 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 emphasizing the importance of clear, fair and reliable enforcement processes, particularly when it involves seniors, veterans and individuals experiencing cognitive or health-related challenges. Regarding health, safety and welfare violations, there was concern expressed of the lack of required acknowledgement before escalation. The concern that without verification, enforcement could create unintended harm to the unit owner. There was a suggestion that the statute be strengthened to require mandatory written acknowledgment of payment or compliance by the association, a defined verification period to confirm receipt of homeowner submissions and documentation standards ensuring that homeowners are notified of their status prior to penalties being imposed.

The Division received a comment in support of Section 3, stating it is a necessary improvement to ensure complaints are specific and actionable. There was a comment made in support of Section 6, stating the elimination of "baseline funding" is a positive step that will help protect associations from the risk of sudden special assessments caused by inadequate long-term planning. There was a comment made in support of Section 13, stating the section establishes clear requirements for the transfer of all books and records upon termination of a management agreement. In order to further strengthen the regulation, there was a recommendation to improve transparency during investigations as cited in Section 4. There was a recommendation to define "imminent threat" as the current definition may be considered too narrow. There was also a recommendation to strengthen enforcement and director rights and the need to adequately address the recurring problem of boards and managers treating directors solely as unit owners.

The Division received a comment in support of the proposed language as it included several meaningful improvements, particularly regarding record transfer requirements, reserve-funding corrections and clearer definitions around imminent threats. There was a concern expressed whether enforcement practices will keep pace with the updated language.

The Division received comment a comment in opposition to Section 2, stating it fails to establish any of the items required by NRS 116.31031, nor does the proposed regulation establish the criteria or severity and does not set limitations on the amount of fines. A comment was received in opposition to Section 3, stating the proposed fiduciary-duty affidavit is selective in that it singles out complaints alleging fiduciary duty. There was also concern stating that the Division could terminate or narrow a complaint simply because a homeowner cited the wrong statute or regulation. The comment suggested that the proposed language could add a barrier not found in NRS 116.760. There was a comment of opposition for Section 4, stating the proposed language gives the Division expanded informal remedial discretion as opposed to the public adjudicatory role of the Commission. There was a comment made in opposition to Section 5, stating the proposed regulation fails to provide most of what NRS 233B.100(1) directs each agency to prescribe by regulation. The comment also mentioned that no regulation exists for Chapter 116, despite the longstanding requirement by NRS 233B. There was a recommendation to establish an actual petition procedure consistent with NRS 233B.100. There was a comment made in opposition of Section 13, which stated the need for regulation, however the proposed language does not require recognition of the extensive and expansive number of documents by the outgoing community manager. There was also a comment made regarding support for Sections 15 and 16 upon revision, noting that Section 15 should be deleted. There was recommended language included to support the revisions of Section 16 to clarify the summary as authorized by NRS 116.3115(2).

The Division received a comment stating the support of meaningful regulatory oversight, legitimate enforcement activity and the Division's responsibility to investigate violations. The comment expressed concern that certain proposed regulatory amendments may unintentionally expand administrative authority in a manner that may reduce accountability, diminish transparency and further distance homeowners from the regulatory process. There was also concern expressed that the current complaint process requiring complainants to identify specific statutory or regulatory violations, organize evidence, complete formal affidavits may be difficult for those lacking legal training or representation. The comment also stated that the current process can create the perception that homeowners are being discouraged from pursuing legitimate concerns. There was also concern that the proposed regulation may expand the Division's authority to implement or negotiate remedial action during confidential investigative proceedings. A concern was expressed that if a homeowners association becomes the subject of a regulatory investigation through remedial action, homeowners are not afforded the opportunity of the details of the case. Regarding the rulemaking process, there was a comment that homeowners often participate less in regulatory rulemaking as opposed to legislative processes.

The Division received a comment recommending that considerations be made for future regulations management practices and/or interpretations, that timeshare owners would not want to affect their rights. There was a comment made that owners would not management companies to replace governing documents or claim that administrative regulations supersede recorded CC&Rs. There was also concern expressed regarding an expansion of manager authority with the ability to control election procedures and/or determine owner eligibility. There was also a comment with concern that future regulations may reduce owner control, contribute to a reduction of control of association owned inventory, increase manager influence over continuation or termination decisions, decrease public representations affecting property value and/or weaken fiduciary accountability. The request was made that timeshare owners would like assurances that regulations written for NRS 116 communities cannot be used to override, weaken or reinterpret rights owners have under NRS 117, NRS 119A, NRS 82, CC&Rs and/or Bylaws.

The Division received a comment seeking clarification concerning the relationship between regulations adopted under NAC 116 and NAC 116A and fee-simple timeshare condominium associations governed by NRS 117, NRS 119A, NRS 82, recorded CC&Rs and association bylaws.

The Division received an additional comment supporting the Commission's role of creating regulations but requesting that clear standards governing timeshare associations be established in order to maintain timeshare owner rights. The concern expressed is that regulations governing community managers and management companies should not affect timeshare owner rights, now or in the future.

The Division received a comment in opposition to the proposed language of Section 2. The concern was that the language does not address the issue of timing when an executive board imposes a Health, Safety Welfare Violation. There was also concern expressed that there is no fine limit to be imposed by the board, only vague language to say that the fine should be commensurate with the violation. There was a comment made that the board does not need more discretion, rather homeowners need more guardrails. The recommendation was that the section be revised to include timing rules, severity levels and a hard dollar cap.

The Division received a comment in support of public comment expressed by another member of the public. The concern expressed was that the Division is not interested in making transparency a priority. There was a statement made describing an unfavorable experience with the Ombudsman's Office in relation to a complaint filed. There was opposition expressed to the proposed regulation for this reason.

The Division received a comment stating the purpose of the regulation is to "legalize" the Division's practice of shutting down legitimate complaints, failing to initiate investigations and/or closing out investigations as soon as possible. The statement recalled an experience of filing a complaint with the Division, that resulted in no action being taken by the Division, resulting in a loss of monies to the association. Regarding Health, Safety and Welfare, there was concern that the proposed regulation does not protect homeowners or the public from the Division. There was opposition expressed to the proposed regulation for the reasons cited.

The Division received comment stating the fine cap described in the legislative counsel digest is absent from the regulatory text causing confusion on the lack of a dollar amount in the language of the regulation. The comment that There was a comment that there should be reconsideration of the language "failure to exercise reasonable care" as it is neither defined nor an objective standard. There was also comment stating the structural problem is compounded by the fact that the board making the allegations of the violation is the same body adjudicating the matter. There was another comment made the fine amounts are too high and a cap was necessary. There was a statement made that the purpose of a fine is to gain compliance, and when a fine exceeds what is necessary to obtain compliance, it crosses into punishment. There was a recommendation that binding arbitration be mandatory before a Health, Safety Welfare fine is imposed by any board; the arbitrator would be a neutral party approved by the Division. There was an additional comment that consideration must be given to the continuing violation mechanism when considering caps on the fine amount. was a strong recommendation to reconsider the intent and wording of the section. Regarding Section 3, there was a comment that as written, the regulation creates individual standing to enforce a duty the statute directs to the entity. The statement that NRS 116.3103(1) expressly measures board member conduct against the standard applicable to officers and directors of a nonprofit corporation, and under NRS 82, directors owe duties to the corporation as an entity, not to individual members and subject to the "business-judgment rule". There was a statement that the proposed regulation contains no requirement that an affidavit allege intentional misconduct, fraud or a knowing violation of law before the Division initiates an investigation. There was a statement made that existing provisions the Commission has adopted that purport to allow it to adjudicate whether a board has breached its fiduciary duties, evaluating the wisdom, good faith, or adequacy of board decisions-likewise exceed the Commission's authority. Regarding Section 4, there was a statement that the intent of the language is sound but the mechanism is not. The statement that "failure to take such action may be considered by the Division to be good cause to proceed with a hearing on the alleged violation", transforms the suggestion into a practical mandate. The statement remarked that the regulation punishes if the subject contests the remedy not whether a violation occurred. As written, the statement is made that the proposed regulation does what NRS 48.095 is designed to prevent, which takes a party's response to a compliance suggestion and makes it available as a basis for a formal proceeding. There was a recommendation that the language be rewritten to ensure there is no threat but a protection that remedial measures are not considered as enforcement measures.

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