

Financial Impact of Proposed Neighborhood Stability Ordinance

At the request of the City Clerk, below is a fiscal impact estimate of the proposed ordinance. The estimated fiscal impact includes the following four categories: administration costs, enforcement costs, litigation costs, and the impact to city revenues.

Regarding administration costs, the proposed ordinance would require city staff to publish the maximum rent increase percentage on an annual basis. The cost of verifying and posting this information is expected to be no more than a few hours of staff time on an annual basis.

Regarding enforcement costs, the proposed language for the ordinance requires court action to enforce the rent controls. If enforcement is a responsibility of the courts, and not the city, the financial impact to the city is projected to be minimal. However, it could affect other jurisdictions.

Regarding litigation expenses, the potential for significant litigation exist, but there is currently not enough information available to put together a reasonable cost estimate.

In regards to city revenues, property taxes are a significant source of funding for both the General Fund and multiple special revenue funds that support public safety functions (including both police and fire), parks and recreations, and street maintenance. Whether or not the proposed ordinance will affect property values, and therefore property tax revenues, will largely depend on the duration of the rent controls and how much controlled rents deviate from the unrestricted market pricing for housing. The Brookings Institute, a nonprofit public policy organization, has conducted in-depth research on the topic of rent controls. One study concluded that rent controls lowered property values by an average of 1.8% per year. If we assume the same percentages in North Las Vegas, the result would be an average loss of property tax revenue to the city of \$3.2 million per year.¹

Other jurisdictions would likely also be affected. For instance, the primary funding source for the North Las Vegas Library District and the North Las Vegas Redevelopment Agency is property tax revenue. Additionally, property tax collection from North Las Vegas properties also fund the Clark County School District, Clark County, and the State of Nevada.

¹ <https://www.brookings.edu/research/what-does-economic-evidence-tell-us-about-the-effects-of-rent-control/>