

February 26, 2015

Chapter 40 Reform Provides Relief for Nevada Homebuilding Industry

Nevada Gov. Brian Sandoval signed into law AB 125 (2015) ushering in critical reforms for Nevada's construction defect laws. The law, which the Nevada Legislature passed this past Friday, Feb. 20, 2015, provides crucial relief for Nevada's homebuilding industry and signifies the first major reform in 20 years to Nevada's construction defect laws—the "Notice and Right to Repair" statute commonly referred to as "Chapter 40." The bill was signed into law less than one month into the 2015 session of the Nevada Legislature.

Chapter 40 was first enacted in 1995 with the intention of providing Nevada homeowners with a pre-litigation mechanism to resolve disputes regarding home construction. Although the drafters of the law intended it to be modeled after similar laws nationally, Nevada's 1995 version included notable deviations from the national standard, including the placement of attorney's fees and costs as part of the calculation of damages for construction defect lawsuits arising out of the Chapter 40 process. Further efforts to reform the law in 2003 achieved the opposite effect, resulting in the debilitating broadening of the definition of what constitutes a "construction defect." The ultimate effect of the law was to encourage litigation and conflict, harming both Nevada homeowners and Nevada's homebuilders.

"The impacts of Chapter 40 lawsuits are severe and merit the legislature's quick action to pass meaningful reform legislation," Nevada Home Builders Association (NVHBA) co-chair Jesse Haw told *Nevada Business Magazine*. "AB 125 presents a solution that will help not only homebuilders and homeowners, but also Nevada's economy."

Brownstein Hyatt Farber Schreck's Nevada office, including Josh Hicks, Alisa Nave-Worth and Kandis McClure, lobbied on behalf of the Nevada Home Builders Association, the Leading Builders of America and the Southern Nevada Homebuilders Association. For more than three years, Brownstein successfully developed a multi-faceted government affairs strategy to ensure the safe passage of Chapter 40 reforms. Our team worked to formulate legislation that would ensure a fair process for Nevada's homeowners while creating a business-friendly environment for homebuilding in Nevada once again. This strategy included intensive work with the Nevada Legislature and Governor's Office, as well as strategic coalition building with opinion leaders across Nevada.

Brownstein has a proven track record of helping clients navigate the maze of politics and policy in Nevada, across the West and in Washington, D.C. Brownstein understands that successful representation means our clients need advocates who understand both complex legal issues and the intricacies of political issues and opportunities. Our deep background representing clients before the Governor's Office, the Nevada Legislature, the Nevada Attorney's General's Office, and the Nevada Department of Taxation, among other administrative agencies, gives us the experience to develop and execute winning strategies on behalf of our clients.

This document is intended to provide you with general information regarding Nevada's construction defect reform. The contents of this document are not intended to provide specific legal advice. If you

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have any questions about the contents of this document or if you need legal advice as to an issue, please contact the attorney listed or your regular Brownstein Hyatt Farber Schreck, LLP attorney. This communication may be considered advertising in some jurisdictions.

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