

## COUNTY QUESTION NO. 1

This Question is Advisory Only

Shall the Douglas County Board of Commissioners implement an increase in the existing tax on the privilege of new real property development in Douglas County up to the maximum amounts allowed under NRS 278.710 for the purpose of funding road construction and maintenance project costs or bonds?

Yes    No

### DIGEST

Douglas County presently imposes a tax on the privilege of new real property development in Douglas County in the amounts of \$500.00 for each new single family dwelling unit, and \$.50 cents per square foot for any other non-residential development. *Nevada Revised Statutes* (NRS) Chapter 278.710 currently allows the Douglas County Board of Commissioners to implement a \$900.00 tax before July 1, 2020 and a \$1,000.00 tax after July 1, 2020 on each new single family dwelling unit of new residential development. NRS Chapter 278.710 also allows the Douglas County Board of Commissioners to implement a \$.90 cents per square foot tax before July 1, 2020, and a \$1.00 per square foot tax after July 1, 2020 on any other new non-residential development. Proceeds from these taxes must be used for projects related to construction or maintenance of public roads, and the tax proceeds may be used to pay for bonds to fund such projects.

### FINANCIAL EFFECT

If the proposed tax increases are implemented: 1) under current Nevada law, the annual impact on a developer of new residential property would be \$900.00 for each new single family dwelling unit completed before July 1, 2020, and \$1,000.00 for each new single family dwelling unit completed after July 1, 2020; the annual impact on a developer of new non-residential property would be \$.90 per square foot for development completed before July 1, 2020, \$1.00 per square foot for development completed after July 1, 2020; 2) there would be no end date specified in the ordinance implementing the tax; 3) revenue bonds may be sold from the tax proceeds backed by the full faith and credit of the assessed value of Douglas County; and 4) Douglas County may incur additional expenses for the operation and maintenance of any road projects that are constructed or improved from the proceeds of the tax.

The result of the vote on this advisory question does not place any legal requirements on the Douglas County Board of Commissioners, any member of the Board, or any officer of Douglas County.

### ARGUMENT FOR PASSAGE

“Most residents agree that new development should pay its own way and should not be a burden to existing residents.” That quote is from the Introduction to our 1966 Master Plan. There is no evidence that new growth has paid for itself, however, especially when it comes to roads, which have continued to deteriorate despite substantial growth. This ballot question allows residents the opportunity to partially correct that by making new development contribute as much as state law allows to fund road construction and maintenance.

In the 20 years from 1990 to 2010 the population of Douglas County increased by more than 70%. Rather than staying ahead of the curve on road maintenance and conditions during that period of strong growth, however, roads continued to deteriorate. Since then, the Pavement Conditions Index, a broad measure of the overall condition of the county's roads, has continued to worsen. This is in part because growth has not paid for itself.

Let's be clear: this ballot question will not raise taxes on existing residents (except those who may build new homes). It would only increase the tax on new development. Starting in 1996, Douglas County levied a tax of \$500/unit on residential development and \$0.50/sq.ft. on other development the maximum allowed by state law at that time. Since then the State has raised those maximums four times, but Douglas County has not adopted those increases, despite the deteriorating condition of our county roads. This ballot question would allow Douglas County to increase those taxes on new development to \$900/residential unit and \$0.90/sq.ft for non-residential to improve roads.

From 1996 to 2017 the median sales price of a residence in Douglas County increased by 135%. The proposed tax of \$900 on new development would actually be a lower percentage of the 2017 average sales price than the \$500 was in 1996. The increase would be less than 0.1% percent of the median price of a new house. As such it would have a negligible effect on sales or affordability.

Since 2016 Douglas County has both raised the gas tax by \$0.05/gallon and authorized up to \$13 million dollars in bonds for road improvements. Both of these are paid by anyone who buys fuel in Douglas County, which includes most residents. This proposed tax increase on new development would ensure that development at least pays more of its own way, and that it would be less of a burden on existing taxpayers.

### **REBUTTAL TO ARGUMENT FOR PASSAGE**

While likely still true, the 1996 Master Plan claim "Most residents agree that new development should pay its own way and should not be a burden to existing residents" bears only a whiff of a connection to what voters are being asked to weigh in on by this question.

To suggest the nearly doubling of the Tax on the Privilege of New Real Property Development (Road Tax) "for the purpose of funding road construction and maintenance project costs or bonds" will do anything significant toward making development "pay its own way" is ludicrous.

New developments with new roads do not burden Douglas County with "maintenance project costs or bonds." Decades of inadequate budgeting of funding for maintenance of older roads has led us to where we are now, and "inadequate budgeting" had nothing to do with the Road Tax. Even new roads in new developments aren't funded through the Road Tax. Douglas County has only constructed a portion of a single new road in more than 3 decades. If a new road is needed due to the impact of the development, it is made a requirement for the developer to furnish, *in addition to paying the Road Tax*.

The current Road Tax brings in two to five hundred thousand dollars every year. Douglas County's roads need tens of millions of dollars in maintenance to bring them up to good condition. In most instances, what is developed (be it houses, commercial or industrial buildings) incurs property taxes, and it is these taxes that contribute the lion's share of the money into Douglas County's coffers that is supposed to cover road maintenance.

From this standpoint, the raising of the Road Tax is a distraction from the real problem Douglas County is experiencing. That problem is after paying the county's current expenses set by the budget put in place by the commissioners, the amount left over falls dramatically short of what should be directed toward roads and infrastructure. Tens of millions are spent instead for projects like the Community and Senior Center (16.9M). Tens of millions more over the next few decades are projected to be diverted from the General Fund to the Lake Redevelopment Agency to fund redevelopment projects, possibly including a proposed \$80M event center.

When re-ordering Douglas County's priorities is the real solution, don't facilitate a "feel good" placebo aimed at developers.

Vote no on this question. It's bad for Douglas County and bad for county residents.

## ARGUMENT AGAINST PASSAGE

Vote no on this question. It's bad for Douglas County and bad for county residents.

A Tax on the Privilege of New Development (Road Tax) increase works against affordable housing. It makes a new residence in Douglas County even more costly. Besides the Road Tax, Douglas County mandates that single-family residential developers pay a Park Tax, Plan Check Fee, Building Permit Fee, and numerous other fees per house in order to build. The county also has dozens of other fees that might apply to a project overall. How much more does Douglas County need?

Douglas County has suffered from a lack of commercial development. This advisory question now, just when the economy is improving, to also raise the commercial development Road Tax to its maximum, is out of line with efforts to attract more businesses within its boundaries.

Plus, it's not as if these Road Tax increases will end up adding funding or anything to fix what's wrong with our roads. The county can simply reduce its contribution for that purpose from other sources (and spend that money on some new, trendy program or project), and its roads will still be deteriorating and unmaintained. The problem is not a lack of money; the problem is a lack of will to make infrastructure a top priority.

Moreover, and definitely troublesome, the question is vague and leaves voters uninformed as to just what amounts of tax increases they are considering. As worded, the question is asking voters to recommend, in advance, the implementation of whatever *future* tax increase amounts the state legislature may decide to insert in Nevada Revised Statutes 278.710. Taxes come out of the pockets of hard-working taxpayers, and so a lack of transparency does not serve the public interest, but rather allows government to act without accountability. Voters deserve a clear understanding of what they are voting for.

Don't further burden developers for Douglas County's failure to take care of its roads as required by law. Douglas County has been collecting this Road Tax for 20 years, and the poor condition of our roads shows how useless and even detrimental to getting Douglas County to pay attention to and allocate resources toward meeting this most basic of its obligations is. Approving an increase in the Road Tax under this question will only encourage Douglas County to continue down the path of fiscal irresponsibility and mismanagement.

## REBUTTAL TO ARGUMENT AGAINST PASSAGE

Almost no existing residents of Douglas County would pay any additional taxes if this proposed tax was imposed. This is a tax on new development only, and hence would only affect those who plan to build a new home or other development. The new tax collected would only be used for road construction and maintenance, which would help improve our deteriorating roads. For nearly all residents it would mean better roads without any additional taxes.

The additional \$400 tax on the construction of a new home is designed to make development pay more of its own way, rather than be a burden on existing residents. This is a sentiment shared by most residents, according to our 1996 Master Plan. This proposed added tax on a new home would be less than 0.1% of the price of the average new home in Douglas County, and would be unlikely to have any effect on sales or affordability. This tax could even be rolled into a 30-year mortgage, adding minimally to the monthly premium.

This proposed tax will primarily be paid by developers. While they will undoubtedly try to pass that cost on to home buyers, the ultimate price will be determined by market forces. Perhaps the developers, some of whom make millions of dollars on each of their developments, will end up paying the tax themselves, and just make a little less profit.

While we all like lower taxes, most people also expect good service and infrastructure from the county. It's unfortunate that past County Commissioners allowed the roads to deteriorate during the decades of high growth leading up to the "Great Recession" that started in 2008. Our current Commissioners have finally come to realize that we must better maintain our roads before they get even worse and cost even more to improve. This proposed added tax on new development would help them better achieve that mission. Otherwise our roads will continue to get worse and worse, and the future cost will be even more burdensome, and more of that burden will undoubtedly fall on existing residents.

To summarize: nearly all residents would not pay any additional taxes, since this is only a tax on new development, yet Douglas County would have more money for road maintenance and construction. That sounds like a good deal for most county residents.

Vote YES on this ballot question!