

BILL ANALYSIS

Senate Research Center
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S.B. 1162
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AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

In 1987, the 70th Legislature adopted Chapter 372 (Improvement Districts in Municipalities and Counties), Local Government Code, which authorized municipalities to establish public improvement districts (PIDs). PIDs are created through a petition process initiated by the affected property owners. After public hearings on the petition, the governing body of the municipality may establish a PID by defining its boundaries and approving the proposed public improvement projects to be undertaken within the PID. The specific type and nature of permitted public improvements are set forth within the statute.

A problem has arisen regarding residential PIDs where purchasers of single-family residences within the PID are not advised of the existence of the PID and the nature and extent of the annual assessments for payment of the costs and maintenance of the public improvements undertaken within the PID.

As proposed, S.B. 1162 requires the seller of a single-family residence that is subject to a PID assessment to give written notice thereof to a prospective buyer of the residence at or prior to placing the residence under an executory contract for the purchase of the property. The form of notice and certain excepted transfers are provided for in the bill as well as the rights of a buyer who is not given the required notice.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter A, Chapter 5, Property Code, by adding Section 5.014, as follows:

Sec. 5.014. NOTICE OF OBLIGATIONS RELATED TO PUBLIC IMPROVEMENT DISTRICT. (a) Requires a seller of residential real property that is located in a public improvement district established under Chapter 372 (Improvement Districts in Municipalities and Counties), Local Government Code, and that consists of not more than one dwelling unit located in this state to give to the purchaser of the property a written notice that reads substantially similar to a notice provided in this subsection.

(b) Requires the seller to deliver the notice required under Subsection (a) to the purchaser before the effective date of an executory contract binding the purchaser to purchase the property. Authorizes the notice to be given separately, as part of the contract during negotiations, or as part of any other notice the seller delivers to the purchaser. Authorizes, if the notice is included as part of the executory contract or another notice, the title of the notice prescribed by this section, the references to the street address and date in the notice, and the purchaser's signature on the notice to be omitted.

(c) Provides that this section does not apply to certain transfers.

(d) Authorizes the purchaser, if an executory contract is entered into without the seller providing the notice required by this section, to terminate the contract for any reason not later than the earlier of certain dates.

(e) Provides that the purchaser's right to terminate the executory contract under Subsection (d) is the purchaser's exclusive remedy for the seller's failure to provide the notice required by this section.

SECTION 2. Makes application of this Act prospective to January 1, 2006.

SECTION 3. Effective date: September 1, 2005.