

- SUBJECT:** Notice to purchaser of property in a municipal utility district
- COMMITTEE:** Business and Industry — committee substitute recommended
- VOTE:** 9 ayes — Brimer, Dukes, Corte, George, Giddings, Ritter, Siebert, Solomons, Woolley  
0 nays
- WITNESSES:** None
- BACKGROUND:** Water Code, sec. 49.452 requires a seller of property located in a municipal utility district (MUD) to provide written notice to the property buyer regarding the taxing authority of the MUD.
- DIGEST:** CSHB 641 would require sellers of property in MUDs to include in the required written notice a statement about the potential for annexation of the property by a municipality or the potential for dissolution of the MUD. The content of these potential sections of the notice would vary depending on the location of the property relative to the corporate limits and extraterritorial jurisdiction (ETJ) of a municipality.
- If the property was located partially or wholly within the ETJ of a municipality but not within the municipal corporate limits, the seller would have to provide notice that the property was subject to annexation by the municipality without the consent of the property owner. If the property was located partially or wholly within the corporate limits of a municipality, the seller would have to provide notice that the MUD was subject to dissolution by the municipality without the consent of the property owners served by the MUD. If the property was located outside the limits of either a municipality or a municipal ETJ, the required notice would not have include a statement concerning annexation or dissolution.
- CSHB 641 would exempt real estate brokers from liability for damages if information on a form, map, or plat filed with the MUD in connection with completing the sale was inaccurate. The bill also would exempt real estate brokers from liability if they did not provide the notice required by the Water

Code because the MUD had not filed the necessary information form, map, or plat, or if the broker unintentionally provided an incorrect notice.

The notices described above would not be required for transfers of title to a governmental entity. The bill would require MUDs to revise the contents of the notices to reflect changes in laws related to annexation or dissolution.

CSHB 641 would take effect September 1, 1999, and would apply only to property transfers for which the contract of sale and purchase binding the purchaser to the property occurred on or after that date.

**SUPPORTERS  
SAY:**

People who buy property in MUDs often are unaware that they may be eligible for annexation. Many recently annexed property owners have complained that they were not informed properly of their status when they bought their property. This has made the annexation process more difficult and contentious in recent years. HB 641 would inform property buyers in MUDs that they could be annexed if the property was located within the ETJ of a city or that the MUD could be dissolved if the property lay within city limits.

Real estate brokers should be protected explicitly from liability based on inaccurate or missing information from MUDs regarding property sold by the brokers. Sellers, title companies, examining attorneys, and lienholders already enjoy this protection.

Because governmental entities are exempt from paying taxes to MUDs, there is no need for governments to receive the notice required by the Water Code and amended by HB 641.

**OPPONENTS  
SAY:**

No apparent opposition.

**NOTES:**

The original bill would have revised only Water Code, sec. 49.452(b) to include the notice of potential annexation or dissolution in the written notice required to be given to property buyers. The committee substitute added provisions that would create three separate notices to be sent by property sellers, depending on the location of the property relative to the corporate limits and ETJs of municipalities.

The substitute added the exemption from the notice requirement for transfers to a governmental entity and the exemptions from liability for real estate brokers for providing an incorrect notice unintentionally and if a MUD had not filed the information required by the notice.

A similar bill, SB 167 by Carona, which would require notice by a seller to a purchaser than property was potentially subject to annexation, passed the House as amended on April 20. The Senate refused to concur with the House amendments on April 23. Both houses have appointed conference committee members to discuss the differences in the two bills.