

Legislation Text

File #: 23-6457, **Version:** 1

An ordinance amending the City Code by revising Chapter 11, adding new Article XI titled “Public Improvement Districts (PIDs)” for the purpose of establishing PID notice and disclosure requirements for developers and homebuilders to provide information to persons seeking to purchase real property and/or homes within PIDs, adopting a “*Public Improvement District (PID) Notice and Disclosure Manual For Developers & Homebuilders*” or may also be cited as “PID MANUAL” for the purpose of providing forms and additional details regarding the requirements adopted in the Code; and revising Chapter 13 - Signs, Article IV “Specifications; Standards; Use” regarding the permissibility of signs in the PID.

The City currently has four Public Improvement Districts (PIDs): Heartland Town Center; Iron Horse; Polo Ridge No. 2; and Solterra. D.R. Horton is the lone homebuilder in Heartland and there are just three homebuilders in Iron Horse. While the number of homebuilders in Polo Ridge is not yet known, Solterra will have at least 13 different homebuilders.

As the number of homebuilders selling homes within PIDs increases, City staff recommends adoption of an ordinance that will require homebuilders to adequately provide advanced notice to prospective homebuyers that the home they’re considering is located within a PID and is subject to an annual property assessment in addition to ordinary property taxes.

Homebuyer disclosure requirements in contracts between developers and homebuilders are inadequate and merely cite State law, which states that homebuilders shall deliver notice “before the execution of a binding contract of purchase and sale, either separately or as an addendum or paragraph of a purchase contract.” This means that the first time a prospective homebuyer might learn about the property assessment is when they sign a contract, or at time of closing. An example of a homebuilder notice requirement is highlighted in the attached Homebuilder Acknowledgement and Consent to Assessments.

The importance of this disclosure cannot be overstated as many cities that left things up to a developer were caught off-guard by the number of homeowners who were either unaware of how much the assessment would be, or didn’t even know what a PID was and that there was an assessment to pay. Below is a YouTube link to a local news story on PID homebuyer disclosure issues in Royse City and Denton that aired in 2020 which illustrates this point:

<https://www.youtube.com/watch?v=LcHoILBCDLo>

This proposed ordinance would adopt a “PID Manual” and amend the Sign Code to require homebuilders selling homes within PIDs to post City-approved signage in front of each model home and sales center notifying prospective homebuyers that they’re in a PID and subject to payment of a special assessment, along with the City’s website URL and QR Code for homebuyers to obtain more information. This PID disclosure requirement would be included for any homes listed by the homebuilder on the Multiple Listing Service (MLS). The proposed ordinance would also require the projected amount of assessment installments for each year for the term of the PID, by lot type or model, in all sales advertising brochures and information packets that are made available to prospective homebuyers. This ordinance would only be applicable to homebuilders

within a PID in Mesquite.

Finally, the proposed ordinance would establish a penalty for failure of any homebuilder to comply with the provisions of the PID Manual and provides that the City may withhold building permits or Certificates of Occupancy for any PID homebuilders who receive at least three notices of violation.

City staff believes that this proposed ordinance will ensure that each prospective homebuyer in a PID is fully aware and understands their obligation to pay a property assessment at the very beginning of the home purchase process, so that they have this information in hand before they obtain financing from a lender and can include the annual assessments as part of their purchasing escrow account.

Recommended/Desired Action

Staff recommends approval of the proposed ordinance.

Attachment(s)

Ordinance

Homebuilder Acknowledgement and Consent to Assessments

Drafter

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