

MUDs Are Good For Texas

MUDs have been one of the unknown success stories in Texas. Yet, there is little understanding of what they are and how they are good for Texas. MUDs foster and manage quality affordable growth and are essential to maintaining our vibrant Texas economy.

Throughout recent years, Texas, and particularly the Greater Houston area, have experienced continued economic and population growth that is unrivaled across the nation. With our favorable economic environment, Houston is sure to continue to enjoy increased population growth and the need for additional housing. MUDs are essential for providing quality infrastructure and affordably priced housing to support such growth.

MUDs are a form of limited local governments created by the State that provide water, sewer, drainage, road, and park infrastructure to new communities. MUDs support well-planned, high-quality development and affordably priced housing in neighborhoods with a wide range of amenities. The Woodlands, Cinco Ranch, Shadow Creek Ranch, Sienna Plantation, and Towne Lake, as examples, are recognized as some of the finest master-planned communities in the United States. Each of these communities, like many others across the state, is served by MUDs. Houston's growth, like other cities in the region, has been fueled by MUDs. Over time, hundreds of MUDs have been dissolved and annexed into Houston and other cities. Kingwood, Clear Lake, and First Colony were all developed by MUDs. And Houston is not alone; the growth of Sugar Land, Katy, Pearland, Missouri City, League City, Conroe, and a dozen more cities has all been through MUDs.

MUDs provide the best mechanism to finance and maintain high-quality infrastructure associated with real estate development. Many cities and counties are unwilling or unable to extend basic infrastructure for new development because the existing taxpayers do not want to pay for infrastructure for new development. MUDs efficiently and equitably fill this void by allowing the residents and businesses who use the facilities to pay for them; existing communities do not pay for or subsidize new developments. In MUDs, "growth pays for itself."

MUD financing results in lower home prices for consumers by allowing the cost of infrastructure to be paid over time rather than building the infrastructure costs into the initial home price. All of this occurs under the purview of a locally elected board of directors that is subject to city and/or county and state agency oversight and regulation. MUDs operate with a reimbursement model that requires developers to pay all costs relating to the design and construction of infrastructure and bear the financial risk involved. Developers are repaid for infrastructure costs by the issuance of bonds, only when sufficient development has occurred to justify and support reimbursement at a reasonable tax rate. This structure ensures that MUD tax rates decline over time and that developers can offer homes at prices that are the envy of consumers nationwide.

MUDs embody transparent local government. Before a person buys a home within a MUD, a person receives at least two notices, once with the earnest money contract and again at closing, that the home is located within a MUD. This notice contains information about the MUD's tax rate, or anticipated tax rate, voted bond authorization, and bonds that have been issued. Transparency measures such as this, when combined with the MUD regulatory regime, Texas open meetings, public information, and financial reporting laws make for highly accountable and effective neighborhood government. MUDs are "grass roots" local governments where the directors, who set the tax rates and water and sewer rates, are elected by the residents in the

neighborhood. Measuring the success of MUDs is as simple as looking at the millions of Texans who consciously choose to live in MUDs.

We are fortunate to live in Texas and a region that is thriving economically, creating new jobs, and developing new neighborhoods and communities. Our success will lead to additional population growth and a continued need for high-quality housing at an affordable price. The continued use of MUDs to foster and manage quality development will be critical to provide for the needs of future growth in the greater Houston region.