

“Growth Pays for Itself in MUDs”

- The Texas economy and Texas population are booming. We’ve all witnessed the growth associated with the “Texas Miracle.” Thankfully, Texas has built new homes for the thousands of people who have moved here. MUDs play a critical role in this growth.
- Texas MUDs allow growth to pay for itself.

MUDs Accommodate Population Growth

- According to the Texas State Demographer¹:
 - During the period from 2005 to 2013, Texas led the nation in population growth, averaging an increase of 460,251 residents annually.
 - Between 2000 and April 2016, Texas added more than six million residents.
- Many new residents to Texas have found affordably-priced homes in amenity-rich, master planned communities in MUDs.

Existing Taxpayers vs. New Residents

- 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 business who use the facilities to pay for them.
- Using MUDs, existing communities do not pay for or subsidize new developments. None of the existing residents in a city or a county pay for the public utilities needed for a new subdivision in a MUD.
- In MUDs, growth pays for itself. The residents in new subdivisions pay for their own infrastructure improvements.
- This allows the state to grow at no expense to existing taxpayers.
- The call for cities and counties to issue the bonds necessary to construct infrastructure and utilities for new growth and development instead of MUDs is unsound. Cities and counties with high rates of growth would be required to take on large amounts of debt and tax all of their taxpayers.
- As a MUD matures and it pays for its infrastructure, its tax rate declines. Once a MUD has paid for its own growth, it can dramatically reduce its tax rate and focus on maintenance, not construction. Other MUDs can be created to accommodate the next wave of growth.
- The result: a steady supply of affordably-priced housing.

¹ http://demographics.texas.gov/Resources/Publications/2016/2016_04-13_DomesticMigration.pdf

An Economist's Perspective

- Jim Gaines, Chief Economist of the Real Estate Center at Texas A&M University, discusses the benefits of MUD growth paying for itself²:

“The debate on the best way to finance local, community infrastructure generally involves who pays for future growth – current residents or future residents. For existing residents, it may mean higher property tax rates or current user fees to pay infrastructure capital development costs to provide services to future residents. Current residents often want the future residents to pay for the facilities that newcomers will need and use.”

“During periods of rapid population growth that fuel the need for fast development of housing, counties and cities are often unable to keep pace to provide such services as roads and water/sewer capacity for new subdivisions.”

“MUDs have been crucial in allowing an adequate housing supply and keeping home prices lower than in other high-growth states.”

“Without MUDs or something like them, Houston would probably be another very-high-cost housing market similar to the major markets in California.”

² *Texas Home Prices to Keep Rising Despite Energy Slowdown*, Southwest Economy, Q1, 2015, at 8.