

“MUD Residents are Knowledgeable and Informed”

- Millions of Texans live in MUDs and similar water districts. In the greater Houston area alone, approximately 2.6 million people live in MUDs.
- Homeowners make the informed decision to purchase property in a MUD.
- Homeowners are well aware of the advantages and the costs of buying a home in MUDs and choose to live in MUDs.
- MUD homeowners “vote with their feet” by moving into MUDs!

Notices to Purchasers

- Before a person buys a home within a MUD, he or she receives at least two notices¹ informing them that the home is located within a MUD. The notice is given once with the earnest money contract and again at closing.
- The form of “Notice to Purchasers” that is prescribed by law² for a MUD in the extraterritorial jurisdiction of a city is attached.
- This notice contains information about the MUD’s tax rate, or anticipated tax rate, voted bond authorization, and the amount of bonds that have been issued.
- Of course, at a closing to buy a home, several other important documents relate to the property taxes paid and owed on the home, including MUD taxes. A new homeowner needs to look no further than the HUD-1 Settlement Statement to see the proration of MUD property taxes between the buyer and the seller.
- Transparency measures such as these notices, when combined with the MUD regulatory regime through the Texas Commission on Environmental Quality (TCEQ) and Texas laws regarding open meetings, public information, conflicts of interest and financial reporting, make for highly accountable and effective neighborhood government.

MUD Taxes and Bonds

- MUD property taxes are authorized at the beginning of the MUD.
- The estimated maximum amount of MUD bonds that can be sold over the life of the MUD also is authorized at the beginning of the MUD.
 - Bonds are sold ONLY IF needed to pay actual costs of MUD facilities AND IF property values in the MUD can support the bonds at a TCEQ approved tax rate.
 - The elected board of directors of the MUD determines when, under what circumstances, and how many bonds to sell but must first obtain approval from TCEQ and the Texas Attorney General.
 - Ultimately, most MUDs do not need to sell the entire amount of MUD bonds authorized – a lesser amount is typically sufficient to fully pay for the MUD infrastructure.
 - However, in some instances an additional amount of MUD bonds beyond that which was authorized at the initial election is required, in which case,

¹ Section 49.452, Texas Water Code.

² Section 49.452, Texas Water Code.

such additional bond authorization is subject to voter approval at a new bond election.

- The initial authorization of taxes and bonds is necessary to begin development of the land within the MUD. Without this initial authorization, no development would occur.
- A written Notice to Purchasers ensures that every purchaser of property in a MUD is informed about the existence of the MUD, the amount of MUD taxes, and the amount of bonds authorized, sold and to be sold in the future by the MUD.
- This written Notice to Purchasers, which is required by law to be given at the time an earnest money contract is signed and again at closing, ensures that every MUD resident purchases their home with full knowledge of the existence of the MUD and its taxes and bonds.

Informed Consumers

- In suburban Houston, the market for new homes is in MUDs. A home being in a MUD is not a surprise – it is the normal situation. Homes in MUDs are the status quo.
- When homeowners sell a home in a MUD, they likely are buying another home in the same or different MUD.
- Therefore, homeowners are fully informed about the costs of living in a MUD. They understand that they will pay MUD taxes to pay for MUD utility infrastructure. MUDs often have both lower tax and utility rates than city tax and utility rates.

Signs and Utilities

- There are road signs all over Greater Houston marking the entrance into MUDs.
- These road signs provide important consumer information. The signs are required by state law³ and their location, format, and size is prescribed by the TCEQ⁴.
- Most MUD residents receive water, sewer, and garbage collection services from the MUD. Professional utility operators on behalf of the MUD establish water and sewer accounts, read meters, and bill and collect customers.
- Finding out contact information for your MUD is as simple as looking at your monthly water and sewer bill.

Businesses

- MUDs are also home to many businesses. Approximately 96,000 acres of commercial property are within greater Houston area MUDs.
- Just like homeowners, business owners make informed decisions to buy property in MUDs. Business owners are entitled to receive the same “Notices to Purchasers” as homeowners.

³ Section 49.452, Texas Water Code

⁴ 30 Texas Administrative Code, Chapter 293, Section 293.101

- The Texas Association of Business, the state's largest and oldest business trade association, issued a statement in support of MUDs and infrastructure. They say:

“While the Texas Association of Business (TAB) works constantly to ensure fair and equitable property tax policies, we fully support the development of public infrastructure and utilities to meet the demands of the citizens of Texas. We understand that infrastructure is not free and that bonds are often the best and only mechanism to pay for capital improvements, not only for MUDs but for municipalities and other forms of local government as well...”

Form of Notice to Purchasers

The real property, described below, that you are about to purchase is located in the _____ District. The district has taxing authority separate from any other taxing authority and may, subject to voter approval, issue an unlimited amount of bonds and levy an unlimited rate of tax in payment of such bonds. As of this date, the rate of taxes levied by the district on real property located in the district is \$_____ on each \$100 of assessed valuation. If the district has not yet levied taxes, the most recent projected rate of tax, as of this date, is \$_____ on each \$100 of assessed valuation. The total amount of bonds, excluding refunding bonds and any bonds or any portion of bonds issued that are payable solely from revenues received or expected to be received under a contract with a governmental entity, approved by the voters and which have been or may, at this date, be issued is \$_____, and the aggregate initial principal amounts of all bonds issued for one or more of the specified facilities of the district and payable in whole or in part from property taxes is \$_____.

The district has the authority to adopt and impose a standby fee on property in the district that has water, sanitary sewer, or drainage facilities and services available but not connected and which does not have a house, building, or other improvement located thereon and does not substantially utilize the utility capacity available to the property. The district may exercise the authority without holding an election on the matter. As of this date, the most recent amount of the standby fee is \$_____. An unpaid standby fee is a personal obligation of the person that owned the property at the time of imposition and is secured by a lien on the property. Any person may request a certificate from the district stating the amount, if any, of unpaid standby fees on a tract of property in the district.

The district is located in whole or in part in the extraterritorial jurisdiction of the City of _____. By law, a district located in the extraterritorial jurisdiction of a municipality may be annexed without the consent of the district or the voters of the district. When a district is annexed, the district is dissolved.

The purpose of this district is to provide water, sewer, drainage, or flood control facilities and services within the district through the issuance of bonds payable in whole or in part from property taxes. The cost of these utility facilities is not included in the purchase price of your property, and these utility facilities are owned or to be owned by the district. The legal description of the property you are acquiring is as follows: _____.

(Date)

Signature of Seller

PURCHASER IS ADVISED THAT THE INFORMATION SHOWN ON THIS FORM IS SUBJECT TO CHANGE BY THE DISTRICT AT ANY TIME. THE DISTRICT ROUTINELY ESTABLISHES TAX RATES DURING THE MONTHS OF SEPTEMBER THROUGH DECEMBER OF EACH YEAR, EFFECTIVE FOR THE YEAR IN WHICH THE TAX RATES ARE APPROVED BY THE DISTRICT. PURCHASER IS ADVISED TO CONTACT THE DISTRICT TO DETERMINE THE STATUS OF ANY CURRENT OR PROPOSED CHANGES TO THE INFORMATION SHOWN ON THIS FORM.

The undersigned purchaser hereby acknowledges receipt of the foregoing notice at or prior to execution of a binding contract for the purchase of the real property described in such notice or at closing of purchase of the real property.

(Date)

Signature of Purchaser

(Note: Correct district name, tax rate, bond amounts, and legal description are to be placed in the appropriate space.) Except for notices included as an addendum or paragraph of a purchase contract, the notice shall be executed by the seller and purchaser, as indicated. If the district does not propose to provide one or more of the specified facilities and services, the appropriate purpose may be eliminated. If the district has not yet levied taxes, a statement of the district's most recent projected rate of tax is to be placed in the appropriate space. If the district does not have approval from the commission to adopt and impose a standby fee, the second paragraph of the notice may be deleted. For the purposes of the notice form required to be given to the prospective purchaser prior to execution of a binding contract of sale and purchase, a seller and any agent, representative, or person acting on the seller's behalf may modify the notice by substitution of the words 'January 1, ___' for the words 'this date' and place the correct calendar year in the appropriate space.