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**Question:** *I am considering purchasing a lot in a new subdivision that is outside the city limits but the developer says the subdivision is in a MUD. What is a MUD and what do I need to know about a MUD?*

A Municipal Utility District (MUD) is a special district within the State of Texas approved by the Texas Commission

of Environmental Quality (TCEQ) or Texas Legislature. Developers petition to create a MUD to provide utilities such as water, sewage, storm drainage, and garbage disposal in areas where the city cannot feasibly serve. Due to this being an impediment for cities, MUDs are generally located outside of city limits but within its Extraterritorial Jurisdiction (ETJ) of the nearby city. Developers are required to put forth the money to finance the infrastructure and tie into the nearby city's utilities.

Owning a lot within a MUD is similar in manner to owning property within the city's boundaries. After a MUD is approved, five

persons are appointed to the MUD's board of directors until an election for permanent positions is held by members in the district. The directors then approve a debt limit funded through bonds. The bonds are paid off over time by the members (landowners) through a MUD tax, similar to city taxes. The tax rates within the special district vary with respect to the approved debt for the MUD and the property value for each individual house/lot. However, on average the MUD tax rates continually decrease due to more homeowners entering the area and distributing the associated cost of the debt. Finally, the nearby city has the option of annexing the

MUD. If the city annexes the land served by the MUD before all of the debt is paid, the city must assume the debt and reimburse the developer for any improvements that have yet to be bonded.

In retrospect, whether you own a lot in the city limits or a MUD, many of the same utilities and services will be provided and charged for in a similar fashion.

*Philip J. Hundl is State Attorney for the K.J.T. and a shareholder in the law firm of Wadler, Perches, Hundl & Kerlick with offices in Wharton, El Campo and Richmond, Texas. State Attorney's note: The information in this column is not intended as legal advice*

*but to provide a general understanding of the law. Readers with legal problems, including those whose questions are addressed here, should consult attorneys for advice on their particular circumstances. Special Thanks to Karson Volkmer, law clerk, at WPHK for his research and contributions to this article.*

*Submit your questions for this column via email to [phundl@wphk-law.com](mailto:phundl@wphk-law.com) or via U.S. Mail to Wadler, Perches, Hundl & Kerlick, Philip J. Hundl, KJT State Attorney c/o KJT Legal Column, 101 W. Burlison Street, Wharton, Texas 77488 or at [www.wphk-law.com](http://www.wphk-law.com).*

## LEGAL CORNER

### "Municipal Utility District"