

PUDs, MUDS and PIDs are special districts created to offset the cost of developing, improving and maintaining planned communities. These areas can have financial implications for homeowners, so it's important to identify where and how they affect buyers and sellers. This is a very general, high-level overview of each type of district.



## Planned Unit Development (PUD)

A PUD can be created by any municipality with zoning authority. The term is widely used to describe any planned community in which residents share spaces or amenities, but many require homeowners to belong to a homeowner's association (HOA) and pay HOA fees to maintain common areas. These costs are not tax deductible and never expire.

## Municipal Utility District (MUD)

A MUD is a special district created by the Texas Commission of Environment Quality under the authority of Chapter 54 of the Texas Water Code to build and manage utility infrastructures that provide water, sewage and drainage to master-planned communities. MUDs sell bonds to finance development of these projects and homeowners are charged a MUD tax to offset the cost. Once the bonds are repaid, residents may pay a lower MUD tax to cover maintenance costs. MUD taxes may be tax deductible and only expire if a city annexes a MUD area that falls outside city limits. In that case, residents exchange the MUD tax for the city tax. If residents live in a MUD area that exists within city limits, they are charged a MUD tax and a city tax.

## Property Improvement District (PID)

A PID is special district created by a city or county under the authority of Chapter 372 of the Texas Local Code that allows it to undertake public improvements within the district like sidewalks, streets landscaping, parks and recreation and more, as long as it promotes the interests of the municipality or county. The improvements within the PID are paid for by the sale of bonds but require homeowners within the PID to repay the debt through a PID assessment that can be paid in full at any time or through annual installments with property taxes. PID assessments may be tax deductible and are eliminated once the debt is paid – usually over a period of 20 to 40 years.

## How can owning a property in a PUD, MUD or PID affect me?

- Homeowners in these areas enjoy new improvements and amenities and a uniform plan of development.
- It may increase the cost of homeownership—for maintenance or annual property taxes—though typically by a minimal amount.
- The additional cost will need to be considered when homebuyers apply for financing.

## How can I tell if a property is part of a PUD, MUD or PID?

- **Land lots/new construction homes:** Developers can advise how a master-planned community will be financed and rates that apply. Residents may be subject to one or more special districts.
- **Resale properties:** A title company can research whether an existing property is part of a PUD, MUD or PID, and provide this information as part of the preliminary title report.