PRIVATE EQUITY OFFICE · I-45 NORTH BELT

Texas MUD: Montgomery and Walker Counties

A Municipal Utility District is a small unit of Texas government. It turns future owner taxes into tax-exempt bonds that repay eligible public works. It does not repay land. This brief is for a private equity office. The sites are unrestricted commercial and residential land in Montgomery County and Walker County, north of Harris County.

Premises (20 August 2026). These stay fixed. They are not market comps.

- Capital: $10,000,000 for raw-land acquisition and prep to platting. Not vertical.
- Tract: 250 acres. Product: 1-acre lots. Hold: 5 years.
- MUD tax cases: $0.50, $1.00, and $1.50 per $100 of assessed value.
- Geography: Montgomery County and Walker County, Texas (not Harris County).

Derived: land-plus-plat basis = $40,000 per acre. Labeled assumptions: 80% net-to-gross (200 lots), $40,000 per lot horizontal, $180,000 base lot, $450,000 home AV, 5% coupon / 25 years.

What the county change does. The MUD machine is statewide. The overlay is not. Bond math in this brief does not change. The file you pull for the tract does.

- Does not change: political-subdivision status, 30% contribution, land not reimbursable, 25% value-in-place, 95% complete, 90% collection, 25% debt-service reserve.
- Does change: who plats the land, which city consents to the MUD, whether that city zones, and which posted tax rates are comps.
- Montgomery County is named in the $1.50 combined projected cap (30 TAC §293.59(k)(3)(A)). Walker County is not. Walker uses the Harris feasibility tests under Tex. Water Code §49.181(f-1). If you read only 30 TAC §293.59, Walker sits in the $1.00 bucket. Do not do that.
- Huntsville keeps an official zoning map. Conroe does not have a zoning ordinance. Unincorporated county land does not zone (TRERC 2025).

VERDICT

Buy the land for location and lot proceeds. Use the MUD to recover a share of public water, sewer, drainage, and often roads. Do not underwrite the MUD tax as fund yield. The $10m is land and plat work. TCEQ's 30% developer-contribution rule does not list raw land (30 TAC §293.47).

On the locked hypothetical, with labeled assumptions, the MUD tax rate is not the main return lever once you clear about $1.00 per $100. Lot price is.

- At $180,000 per net lot, five-year MOIC is about 3.46x if $1.00 or $1.50 tax and reimbursement lands in year 5 (47% IRR, assumption set).
- At $0.50 tax, reimbursement drops to $3.84m and MOIC is about 3.18x (45% IRR).
- At $120,000 lots, profit after cost-bound reimbursement is $12.56m. Lot price still moves the outcome more than the last 50 basis points of MUD tax.

TAX-RATE CASES (FULL-BUILD AV $90M, ASSUMPTION)

MUD TAX / $100	I&S / $100	ANNUAL DS LEVY	NET PROCEEDS	REIMBURSEMENT	BINDS
$0.50	$0.35	$283,500	$3,844,846	$3,844,846	tax rate
$1.00	$0.85	$688,500	$9,337,482	$6,560,000	eligible cost
$1.50	$1.35	$1,093,500	$14,830,119	$6,560,000	eligible cost

Once the tax supports the eligible stack, a higher rate does not raise sponsor proceeds. It raises unused capacity, or it funds more works that you add to the eligible list.

Five-year cash at $180,000 lots (assumption), reimbursement in year 5: $0.50 → profit $21.84m, MOIC 3.18x, IRR 44.7%. $1.00 or $1.50 → profit $24.56m, MOIC 3.46x, IRR 46.9%.

POSTED COMPS ON THIS BELT

DISTRICT	POSTED RATE	SOURCE
New Waverly MUD #1 (Walker)	$1.50 / $100 total, 2025	Walker CAD 2025. Sits on the cap used for Walker.
Montgomery County MUD 162	$1.35 / $100, 2025 ($0.68 M&O + $0.67 contract)	District transparency page.
The Woodlands MUDs (Montgomery)	2025 residential $0.0424 (MUD 36) to $0.2400 (MUD 39)	Woodlands Water table. Mature book. Operator says 86% below the Montgomery MUD average.
Harris County MUD 502 / 150	$1.02 (2024) / $0.51 (posted)	Metro illustrations only. Not site comps.

UNRESTRICTED, AS USED HERE

Texas counties do not zone. They plat (TRERC, Wilson, Ground Rules Pub. 2438). Walker Planning publishes subdivision, floodplain, and on-site wastewater rules. Montgomery

Engineering adopted Development Regulations on 4 March 2025. Montgomery OSSF subdivision review uses 30 TAC 285 planning materials and a 45-day written decision.

Huntsville keeps an official zoning map. Conroe does not have a zoning ordinance and issues a Letter of No Zoning. Houston Chapter 42 applies only if GIS shows Houston ETJ on a southern Montgomery parcel. Houston's ETJ is "essentially a five-mile band" and includes MUD-consent power (Houston Planning, Annexation). Do not assume that band covers Walker County.

City consent under Tex. Water Code §54.016 still applies if the land is in a city or a city's ETJ (Conroe, Willis, New Waverly, Huntsville, Magnolia, and others).

WHAT BREAKS A FIVE-YEAR HOLD

1. Lot price. At $120,000 the model profit is $12.56m. No HAR 1-acre series was fetched this session.
2. Absorption of 200 one-acre lots in five years. Schedule is an assumption.
3. City consent in a Conroe, Huntsville, Willis, New Waverly, or other ETJ.
4. Wrong overlay. Huntsville zones. Conroe does not. Houston Chapter 42 applies only if GIS shows Houston ETJ.
5. Walker cap path. Read §49.181(f-1) with 30 TAC §293.59. A 293.59-only read puts Walker at $1.00.
6. Floodplain and OSSF planning materials before lots on septic can be sold as a subdivision.
7. Horizontal cost above $40,000 per lot. Then $1.00 may no longer cover eligible works.
8. The 25% value-in-place test. Under a 1-year house lag this book first meets it in year 3. Year 1 reimbursement is not available (30 TAC §293.59(k)(7)).

The MUD tax is not sponsor yield. Owners pay it. Land cost is not on the 30 TAC §293.47 construction list.

SOURCES

Each URL was requested on 20 August 2026. Parenthetical names in the wiki match this list.

- TCEQ GI-043 (2019). https://www.tceq.texas.gov/downloads/water-districts/guidance/gi-043.pdf
- Tex. Water Code §§54.011, 54.014, 54.016, 54.021, 54.201, 49.102, 49.181, 49.452. https://texas.public.law/statutes/tex._water_code_section_49.181 (Walker as Harris, (f-1))
- 30 TAC §293.47 and §293.59. https://www.law.cornell.edu/regulations/texas/30-Tex-Admin-Code-SS-293-59
- TRERC Ground Rules Pub. 2438. https://trerc.tamu.edu/wp-content/uploads/2025/02/GroundRules_TG.pdf
- TRERC Rural Land 1Q2026. Gulf Coast–Brazos Bottom $11,698/acre. Region 5 map labels Montgomery and Walker. https://trerc.tamu.edu/reports/texas-rural-land-markets-first-quarter-2026/
- Montgomery County Engineering. https://www.mctx.org/departments/departments_d_-_f/engineering/index.php

- Montgomery County Subdivision Review (OSSF). https://www.mctx.org/departments/departments_d_-_f/environmental_health/permitting/subdivision_review.php
- Walker County Planning. https://www.co.walker.tx.us/department/index.php?structureid=28
- Huntsville Official Zoning Map. https://www.huntsvilletx.gov/944/Official-Zoning-Map
- City of Conroe Land Use (no zoning ordinance). https://www.cityofconroe.org/services/community_development/planning/land_use_area_plans.php
- Houston Planning, Annexation (ETJ five-mile band; MUD consent). https://www.houstontx.gov/planning/Annexation/
- Walker CAD 2025 tax rates. New Waverly MUD #1 total $1.50. https://walkercad.org/wp-content/uploads/2025/10/2025-Tax-Rates-1.pdf
- MCMUD 162 transparency. 2025 $1.35. https://www.mcmud162.org/transparency/
- Woodlands Water taxes. 2025 residential $0.0424–$0.2400. https://woodlandswater.org/taxes/
- Land Advisors 2023. First MUD forward-funding CAB 7.50%. https://landadvisors.com/news/first-ever-mud-forward-funding-capital-appreciation-bond-completes-sale-in-texas/

Excel models: tx-mud-returns-model.xlsx and tx-mud-bond-capacity.xlsx in the project downloads folder. Yellow cells are inputs. Do not treat yellow cells as fetched market data.