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City of McKinney

Housing Needs Assessment

PREPARED FOR:

City of McKinney
222 N. Tennessee St.
McKinney, Texas 75069

CREATED

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SECTION I.

DEMOGRAPHIC AND ECONOMIC PROFILE

SECTION I.
Demographic and Economic Profile

This section provides an overview of McKinney's demographic and economic environment to set the context for the housing market analysis. The discussion is organized around population levels and trends, household diversity, and economic indicators.

Demographic Profile

Similar to national trends, Texas has experienced a population shift toward more urban areas of the state. In 2018, more people moved into Collin County than moved away—particularly young adults between the ages 25 and 44. McKinney's strategic location close to employment clusters and high quality of life play important roles in its growth.

Collin County is projected to grow at a rapid rate over the next few decades, and as people continue to seek out economic opportunity around urban areas, McKinney will likely grow at a similar rate, if not faster. These trends and other defining characteristics of the city are explored in this section.

Population. McKinney's 2018 population estimate was 191,666. The city has added over 60,000 residents since 2010, an increase of 46 percent.

Figure I-1 shows population trends for McKinney, three comparison cities (Allen, Frisco, and Plano), and for Collin County. McKinney has grown at a faster pace than Collin County, Allen, and Plano and the city has also slightly increased its share of the county population. Six of the 10 counties with the largest population gains in the U.S. this decade were in Texas—Harris, Tarrant, Bexar, Dallas, Collin, and Travis— the Dallas metro had the largest numeric gain since 2010, with an increase of over 1.2 million people.[1]

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[1] https://www.census.gov/newsroom/press-releases/2020/pop-estimates-county-metro.html

Figure I-1.
Population Trends, McKinney and Comparison Communities, 2010 and 2018

Jurisdiction	2010	2018	Change		Share of County	
			Number	Percent	2010	2018
McKinney	131,117	191,666	60,549	46%	17%	19%
Allen	84,246	103,378	19,132	23%	11%	10%
Frisco	116,989	188,153	71,164	61%	15%	19%
Plano	259,841	287,765	27,924	11%	33%	29%
Collin County	782,341	1,005,146	222,805	28%		

Source: 2010 Census, 2018 ACS 1-year estimates, and Root Policy Research.

Migration patterns. According to the Texas Demographic Center, between 2017 and 2018 more people moved into Collin county than moved out. The county added around 20,000 residents from net domestic migration and another 4,100 from net international migration. The majority of residents moving into Collin County came from Dallas, Denton, and Tarrant counties.

Figure I-2 shows the distribution of in-migrants to McKinney from outside of Collin County by age compared to the age distribution of current McKinney residents. Persons moving to McKinney are around one and a half times more likely to be college aged adults (18 to24) and young adults (25 to 44).

Figure I-2.
Residents by Age Moving into McKinney from Outside Collin County, 2018

Note:
Population 1 year and over.

Source:
2018 1-year ACS.

Age Cohort	Current Distribution	In-migrant Distribution
Infants and toddlers (under 5)	7%	6%
School aged children (5 to 17)	21%	16%
College aged adults (18 to 24)	9%	13%
Young adults (25 to 44)	29%	42%
Baby boomers (45 to 64)	23%	15%
Older Adults (65 and older)	11%	7%

According to the 2019 United Van Lines Movers Study, the top reason people moved to and away from Texas was for a job, followed by family and retirement. The majority of inbound movers make over $100,000, as well as the majority of outbound movers. Section III, Community Perspectives discusses survey respondents' reasons for moving and desire to move in more detail.

Age. Adults between the ages 45 to 64 comprise the largest cohort of residents in McKinney, followed by school aged children (5 to 17), and middle adults (35 to 44). As shown in Figure I-3, which compares the age distribution of McKinney's residents since 2010, all age cohorts increased during that period of time. Most age groups still account for roughly the same proportion of the population overall as they did in 2010. The groups with the faster annual rate of growth are older adults (11%), and the ones with the lowest are infants and young adults.

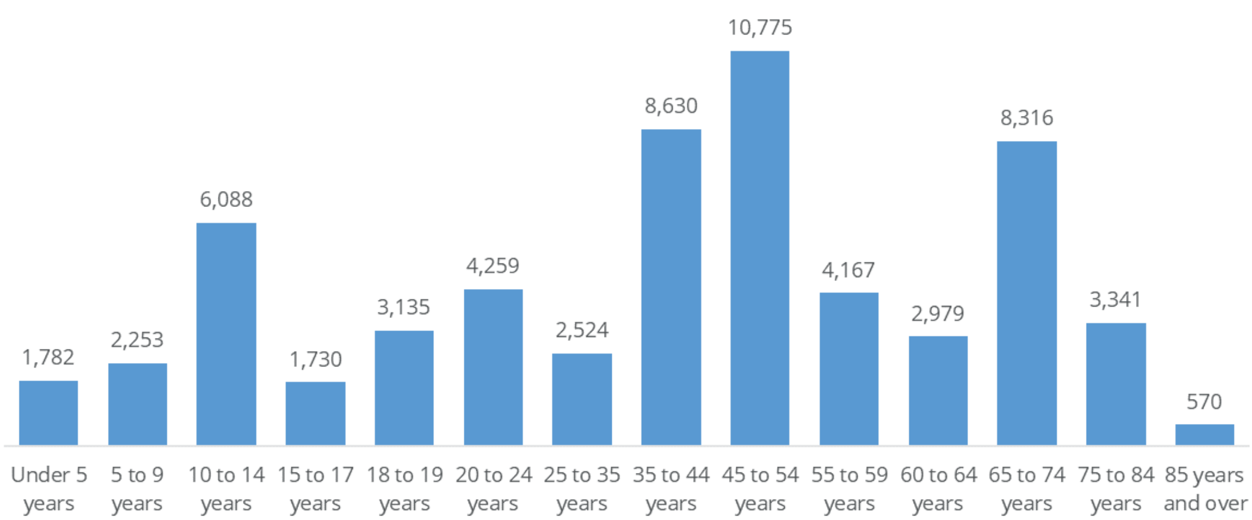
Figure I-3.
Age Trends, McKinney, 2010 and 2018

Age Cohort	2010 Number	2010 Percent	2018 Number	2018 Percent	Annual Growth Rate 2010-2018
Infants and toddlers (under 5)	11,684	9%	13,466	7%	2%
School aged children (5 to 17)	30,222	23%	40,293	21%	4%
College aged adults (18 to 24)	9,168	7%	16,562	9%	8%
Young adults (25 to 34)	19,711	15%	22,235	12%	2%
Middle adults (35 to 44)	24,249	18%	32,879	17%	4%
Baby boomers (45 to 64)	26,861	20%	44,782	23%	7%
Older Adults (65 and older)	9,222	7%	21,449	11%	11%
Total	131,117	100%	191,666	100%	17%

Source: 2010 Census, 2018 ACS 1-year estimates, and Root Policy Research.

Figure I-4 presents the numerical change in residents by age group from 2010 to 2018. McKinney attracts and retains individuals at all stages of life.

Figure I-4.
Change in Population by Age, McKinney, 2010 to 2018



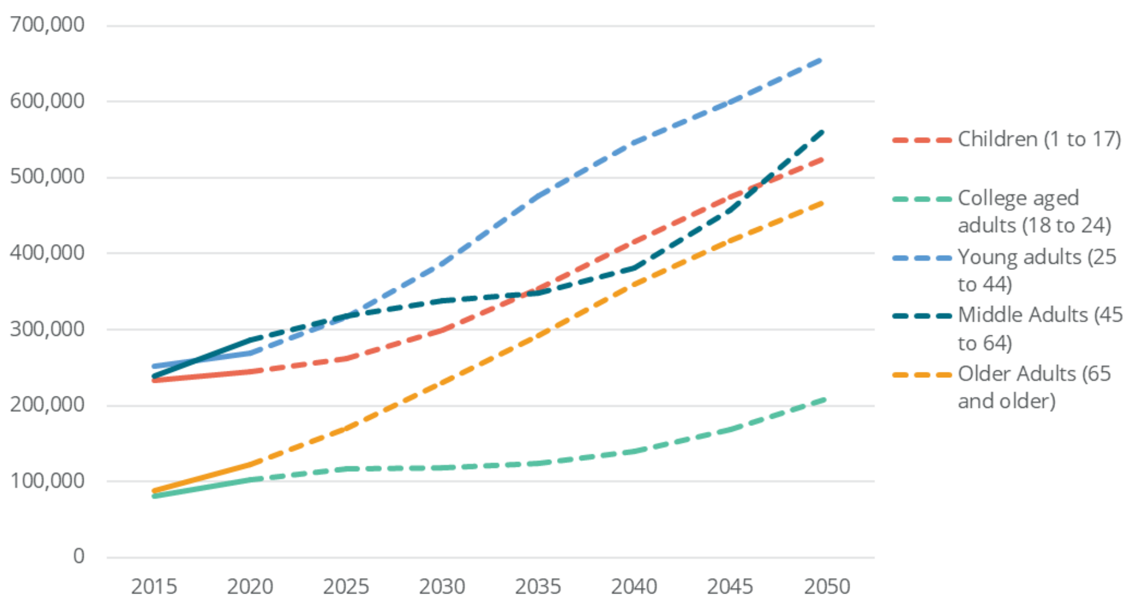
Source: 2010 U.S. Census, 2018 1-year ACS, and Root Policy Research.

As shown, the largest numerical change in population occurred in residents aged 45 to 54, followed by residents aged 35 to 44, and residents aged 65 to 74; demonstrating the City's ability to attract and retain prime working aged adults and retirees looking for high quality of life.

Projections. The Texas Demographic Center provides population projections for Collin County over the next 30 years. In 2050, the county is projected to have over 2.4 million people, more than doubling its population since 2020.

Figure I-5 depicts population projections by age. All age cohorts are projected to double, except for adults over 65 who are expected to fourfold. Despite adults over 65 experiencing the largest the largest growth over the next 30 years they will still trail young and middle adults in cohort size in 2050.

Figure I-5.
Population Projection by Age, Collin County, 2015 to 2050



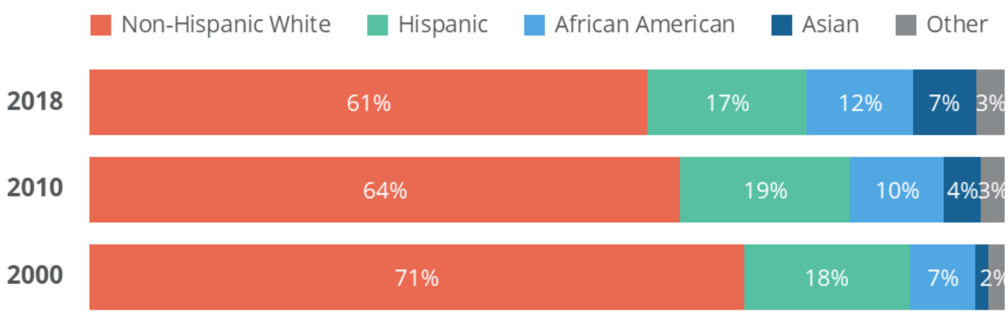
Source: Texas Demographic Center and Root Policy Research.

As the older resident population grows, accessible housing demand and needs will increase as age and disability are correlated. Seniors often require assistance with home maintenance and transportation to ensure they maintain a high quality of life while aging in place.

Race and ethnicity. Around 60 percent of McKinney's residents are non-Hispanic White; another 17 percent identify as Hispanic, 12 percent as African American, 7 percent as Asian, and the remaining 3 percent belong to other minority groups. Figure I-6 presents the racial and ethnic composition of city residents and how the composition has changed since 2000.

The share of the population that identifies as non-Hispanic White has decreased since 2000 (71% compared to 61%). This decline has been offset by increases in the share of African American (7% to 12%) and Asian residents (2% to 7%). The share of the Hispanic population has remained fairly stable.

Figure I-6.
Race and Ethnicity, McKinney, 2000, 2010, and 2018



Source: 2000 and 2010 U.S. Census, 2018 1-year ACS, and Root Policy Research.

Household composition. McKinney's household composition has remained relatively stable since 2010. As the population increased, the number of households in each category grew, with slight fluctuations of their total household share being observed. The share of non-family households increased by 2 percentage points. The share of households with children decreased by 5 percentage points, with the decrease coming from lower shares of married couples with children and single mothers.

Figure I-7.
Household Composition, McKinney, 2010 and 2018

	2010		2018	
	Number	% Total Households	Number	% Total Households
Total households	**43,306**	**100%**	**63,889**	**100%**
Married Couples	28,750	66%	40,782	64%
With children under 18	16,077	37%	21,054	33%
Without children under 18	12,673	29%	19,728	31%
Male householder, no spouse	802	2%	2,235	3%
With children under 18	576	1%	1,709	3%
Without children under 18	226	1%	526	1%
Female householder, no spouse	5,079	12%	6,692	10%
With children under 18	3,626	8%	3,956	6%
Without children under 18	1,453	3%	2,736	4%
Non-family households	8,675	20%	14,180	22%
Householder living alone less than 65	5,907	14%	8,788	14%
Householder living alone 65 years and over	1,290	3%	3,296	5%
Other Non-family households	1,478	3%	2,096	3%

Source: 2010, and 2018 1-year ACS, Root Policy Research.

McKinney's overall household composition is similar to other towns in Collin County (Figure I-8). McKinney has a higher share of family households than other communities (78% v. 73% in Collin County); Frisco has a relatively higher share of married families with children.

Figure I-8.
Household Composition by Place, 2018

	Family Households					Non-family households
Jurisdiction	All family households	Married with children	Married, no children	Single mother	Other family household	
McKinney	78%	33%	31%	6%	8%	22%
Allen	76%	35%	28%	6%	8%	24%
Frisco	75%	43%	23%	5%	4%	25%
Plano	72%	28%	31%	5%	8%	29%
Collin County	73%	32%	29%	5%	7%	27%

Source: 2018 ACS 5-year estimates, Root Policy Research.

Household size. The average household size in McKinney has changed somewhat. In 2010, the average household size was 2.99; in 2018, it was 2.92. Average family size decreased from 3.35 to 3.33 in the same time period.

Income and Poverty

This section examines household and family income in McKinney, as well as the prevalence of poverty among the city's residents.

Household income. In 2018, the median household income in McKinney was $90,725 and the median income for families was $107,680. Married-couples with children in the household had the highest median income ($130,349) while adults over 65 and single mothers had the lowest median incomes, both below $45,000.

Median household income has increased by 23 percent since 2010. Figure I-9 shows income trends since 2010 for both owners and renters.

McKinney experienced an increase between 2010 and 2018 in the total number of owners and renters. However, the income distribution of both owners and renters changed significantly since 2010. The share of owners with income above $100,000 increased by 17 percentage points while the share of owners in all other income categories decreased. The share of renters earning over $100,000 increased by 11 percentage points, the overall increase in the share of renters earning over $50,000 (22 percentage points increase since 2010) was offset by the reduction in the share lower income renters. In 2018, McKinney homeowners had household income twice as high as McKinney renters ($114,000 compared to $55,000).

Figure I-9.
Income Trends for Owners and Renters, McKinney, 2010 and 2018

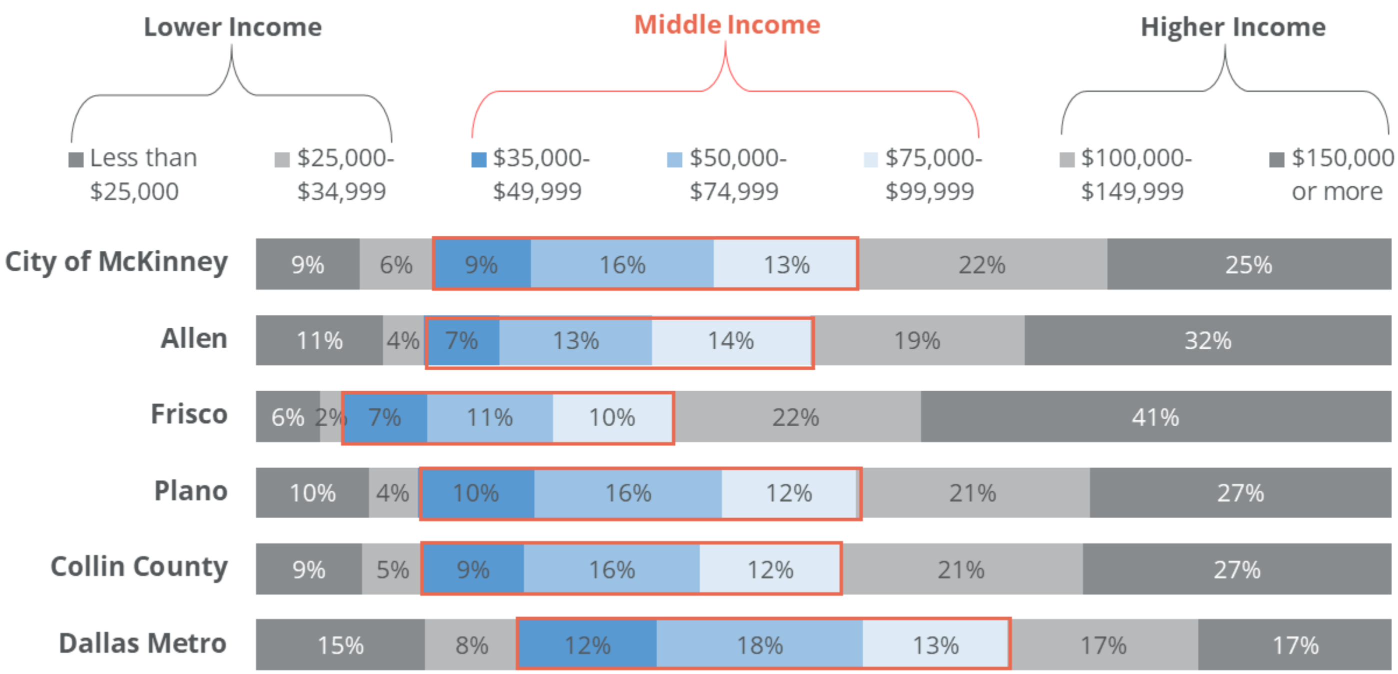
	2010	2018	Change 2010-2018 Percentage Point Change	Change 2010-2018 Numerical Change
Owner income distribution				
Less than $25,000	7%	4%	-3%	-502
$25,000-$50,000	15%	11%	-3%	304
$50,000-$75,000	17%	14%	-3%	539
$75,000-$100,000	20%	12%	-7%	-890
$100,000+	42%	59%	17%	11,952
Total	**100%**	**100%**		**11,403**
Owner median income	**$87,937**	**$114,455**		
Renter income dsitribution				
Less than $25,000	29%	20%	-9%	716
$25,000-$50,000	35%	22%	-12%	558
$50,000-$75,000	17%	21%	3%	2,330
$75,000-$100,000	6%	14%	7%	2,122
$100,000+	12%	23%	11%	3,454
Total	**100%**	**100%**		**9,180**
Renter median income	**$41,502**	**$54,973**		

Source: 2010, and 2018 1-year ACS, Root Policy Research.

Figure I-10 shows the income distribution for all McKinney residents and compares it to similar Texas towns. Almost 40 percent of the city's households earn between $35,000 and $100,000 annually, another 47 percent earn over $100,000, and 15 percent earn less than $35,000.

McKinney's income distribution is similar to other Collin County towns like Allen and Plano, while Frisco has a larger share of higher income residents and smaller share of lower income residents.

Figure I-10.
Income Distribution by Place, McKinney, and Similar Communities, 2018



Source: 2018 1-year ACS, and Root Policy Research.

Poverty. According to 2018 ACS data, 11,252 McKinney residents have incomes below the federal poverty line. Figure I-11 presents McKinney's poverty rate for 2010 and 2018 in comparison to similar communities and Collin County. McKinney's poverty rate decreased significantly since 2010 (10% down to 6%), is slightly lower than the county's overall poverty rate, and is similar to that of other communities.

Figure I-11. Poverty Rate, McKinney and Comparison Communities, 2018

Source:
2010 and 2018 ACS 1-year estimates.

	2010	2018	Percentage Point Change	Variance from County
McKinney	10%	6%	-4%	-0.8%
Allen	5%	8%	3%	1.6%
Frisco	6%	2%	-4%	-4.5%
Plano	8%	7%	-1%	0.2%
Collin County	8%	7%	-1%	

Despite the decrease in individual poverty rates, some residents have disproportionately higher poverty rates—these groups have poverty rates twice as high the individual poverty rate and include single mothers (16%), individuals with a disability (15%), and Hispanic residents (14%). Other groups that have slightly higher poverty rates are residents 65 year and over (7%) and children under 18 (8%). As expected given McKinney's high income levels, poverty rates in McKinney are significantly lower than the U.S. and Texas and slightly lower than Collin County, except for individuals with a disability, who have a higher poverty rate in McKinney (15%) than in the county overall (12%).

Economic Profile

This section discusses key components of the city's economy, which affect the demand for and price of housing.

Labor force and unemployment. Figure I-12 presents unemployment rates for McKinney, Dallas metro MSA, and the State of Texas from 2000 to May 2018. Since the Great Recession, McKinney's unemployment rate has been slightly lower than the state. In January 2020, the city's unemployment rate was 3.2; since the COVID-19 pandemic, the unemployment rate has spiked to 12.2 (as of May 2020). This represents more than a tripling in the number of unemployed workers, going from around 3,300 in January to over 12,000 in May.

Research at the national level shows that persons impacted by job losses/interruptions due to mobility restrictions are disproportionately women, renters, and service workers.[2]

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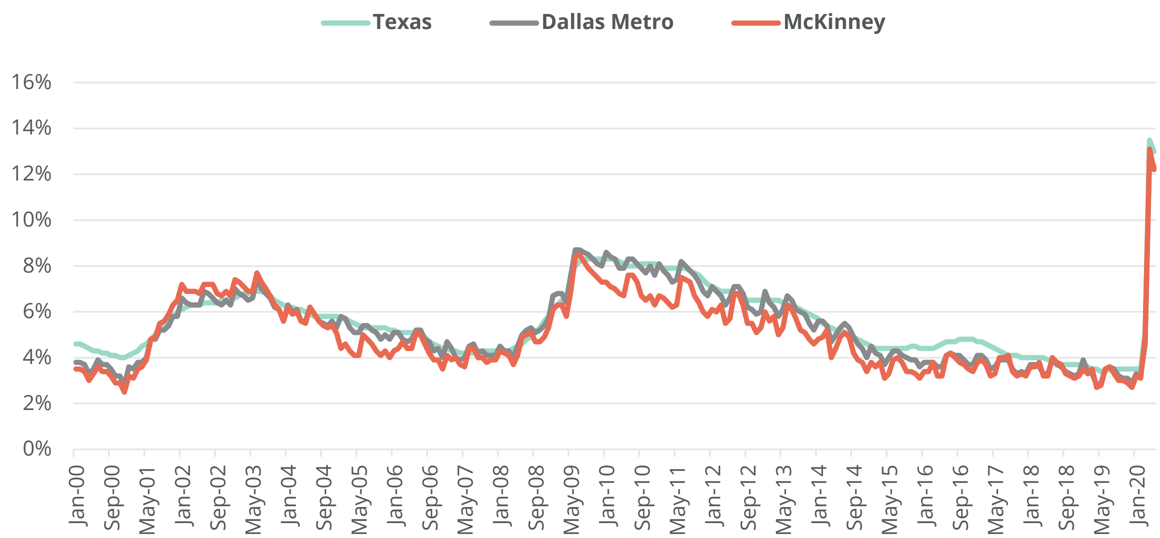
[2] Mongey, S., Pilossoph, L., & Weinberg, A. (2020). Which workers bear the burden of social distancing policies? (No. w27085). National Bureau of Economic Research.

Figure I-12.
Unemployment Rates, McKinney, Dallas MSA, and Texas, 2000 to May 2020



Source: Bureau of Labor Statistics.

Job and wages by industry. Figure I-13 compares Collin County's job composition by industry for 2010 and 2019—the Bureau of Labor Statistics (BLS) does not provide employment data by city.

Collin County continues to rely on service producing industries for the majority of its employment (89%) compared to goods producing industries (11%). Collin County experienced growth in all job categories. The education and health services industry gained the most jobs (32,606), followed by professional and business services (29,047) while natural resources and information added the least number of jobs.

Figure I-13.
Average Employment, Collin County, 2010 and 2019

	2010		2019		Percent Change 2010-2019
	Number	Percent	Number	Percent	
Goods Producing	32,970	12%	47,644	11%	45%
Natural Resources and Mining	1,440	1%	1,539	0%	7%
Construction	11,214	4%	18,587	4%	66%
Manufacturing	20,316	7%	27,519	6%	35%
Service Providing	249,013	88%	376,561	89%	51%
Trade, Transportation and Utilities	53,327	19%	71,634	17%	34%
Information	16,335	6%	16,877	4%	3%
Financial Activities	26,676	9%	47,576	11%	78%
Professional and Business Services	49,065	17%	78,112	18%	59%
Education and Health Services	56,943	20%	89,549	21%	57%
Leisure and Hospitality	31,930	11%	52,299	12%	64%
Public Administration	6,727	2%	8,970	2%	33%
Other Services	8,010	3%	11,544	3%	44%
Total Employment	281,983	100%	424,205	100%	50%

Source: Bureau of Labor Statistics, and Root Policy Research.

Figure I-14 below presents wage information by industry for jobs in Collin County in 2010 and 2019. Natural resources and mining jobs pay the highest annual average wages, followed by the manufacturing, information, and financial activities industries. The lowest paid industries are leisure and hospitality, and other services—the industries most impacted by the current COVID-19 pandemic.

Figure I-14.
Average Wages, Collin County, 2010 and 2019

	2010		2019		Percent Change 2010-2019
	Weekly Wages	Annual Total	Weekly Wages	Annual Total	
Goods Producing	$1,385	$72,045	$1,859	$96,668	34%
Natural Resources and Mining	$1,555	$80,860	$2,790	$145,080	79%
Construction	$1,055	$54,851	$1,376	$71,552	30%
Manufacturing	$1,555	$80,860	$2,133	$110,916	37%
Service Providing	$978	$50,834	$1,246	$64,803	27%
Trade, Transportation and Utilities	$818	$42,541	$983	$51,100	20%
Information	$1,783	$92,730	$2,128	$110,672	19%
Financial Activities	$1,285	$66,822	$1,959	$101,865	52%
Professional and Business Services	$1,376	$71,535	$1,794	$93,263	30%
Education and Health Services	$833	$43,330	$962	$50,019	15%
Leisure and Hospitality	$327	$17,008	$478	$24,869	46%
Public Administration	$1,085	$56,394	$1,376	$71,531	27%
Other Services	$682	$35,464	$752	$39,104	10%
Total Employment	$1,028	$53,453	$1,314	$68,352	28%

Source: Bureau of Labor Statistics, and Root Policy Research.

Occupations. According to 2018 ACS data, there are 96,848 employed civilian residents 16 years and older living in McKinney. Most residents were employed in management, business, science, and arts occupations (52%), followed closely by sales and office occupations (23%) and service occupations (12%). The least common occupations held by McKinney residents include production, transportation and material moving (7%), as well as natural resources, construction and maintenance (5%).

Commuting patterns. The Census Longitudinal Employer Household Dynamics tracks commuting flows in/out of communities. There are 45,521 workers whose primary jobs are located in McKinney. Those jobs are filled by 34,360 in-commuters (75% of primary jobs) and 11,161 McKinney residents (25% of primary jobs).

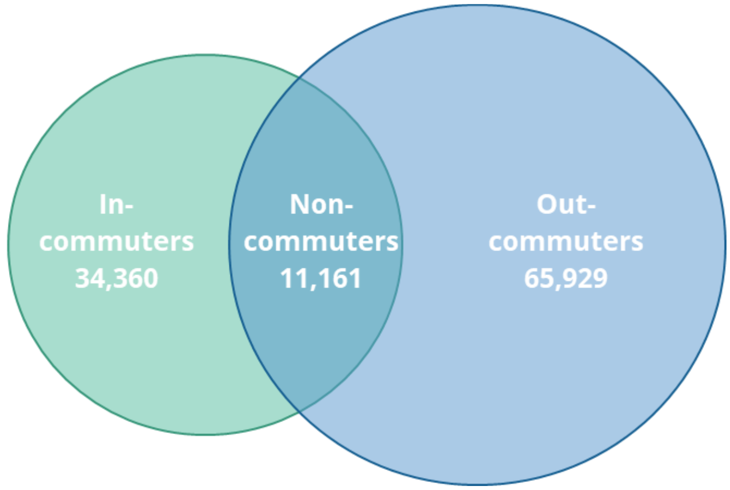
Most of McKinney's workers are out-commuters—65,929 McKinney residents commute to a primary job located outside the City of McKinney. In other words, 85 percent of working McKinney residents are out-commuters and 15 percent live AND work in McKinney.

Figure I-16 displays the inflow and outflow of primary jobs/workers to and from McKinney.

Figure I-16.
Inflow and Outflow of Jobs, McKinney, 2017

Note:
Primary jobs.

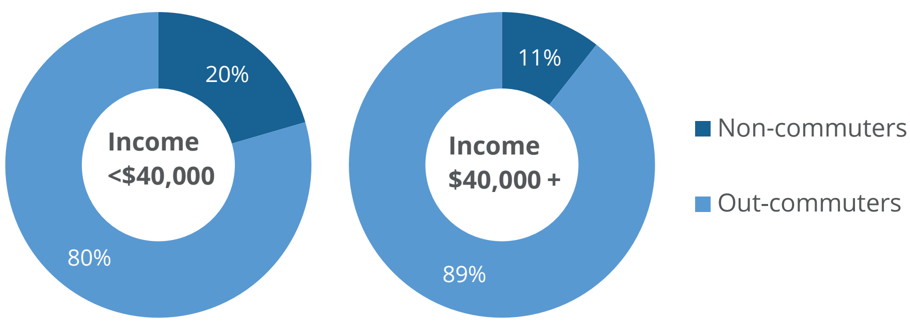
Source:
US Census Bureau's Longitudinal Employer-Household Dynamics Root Policy Research.



The top daily destinations of out-commuter from McKinney are Dallas (20%), Plano (17%), and Frisco (7%). In-commuters to McKinney come from Dallas (7%), Plano (8%), and Allen (6%).

Commuting patterns of workers living in McKinney vary by income. As shown in Figure I-17, workers earning less than $40,000 annually are two times more likely to live and work in McKinney than workers earning above $40,000.

Figure I-17.
Commuting Patterns of Workers Living in McKinney, by Income, 2017



Note: Primary Jobs.

Source: US Census Bureau's Longitudinal Employer-Household Dynamics Root Policy Research.

Transportation costs. According to the Center for Neighborhood Technology (CNT) Housing and Transportation (H+T) Affordability Index data, the typical McKinney household spends 19 percent of their household income on transportation costs. McKinney is similar in that the typical household spends 22 percent of their household income on transportation costs.

About three quarters of those transportation costs are related to auto ownership and the remaining one quarter is related to vehicle miles traveled. According to 2018 ACS data 98 percent of households in McKinney have at least one vehicle per household and 90 percent travel to work by driving alone.

The typical McKinney resident spends another 33 percent of their household income on housing, meaning the total housing and transportation costs for a typical McKinney household is 55 percent of income.

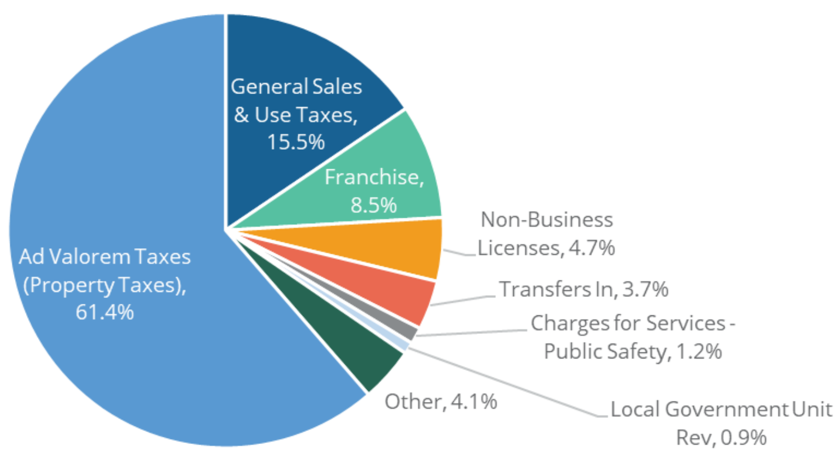
Public finance. The majority of municipal revenue in Texas is generated through direct local taxation on real property and retail sales transactions, as well as through the collection of fees and fines. In states with strong local taxing authority, such as Texas, municipalities are generally dependent on the level of overall economic health and personal wealth of businesses and residents in a municipality. These municipalities are at the same time are less dependent on intergovernmental (e.g., state-generated) revenue.

Local residential, commercial and industrial property values are an important consideration for Texas municipalities—including McKinney—because property taxes are responsible for the largest share of municipal general revenue. Sales tax revenue, and thus, the presence of high value or high volume retail establishments, is also important for Texas municipal fiscal health. As shown in Figure I-18, 61 percent of McKinney's General Fund revenue is generated by Ad Valorem Taxes (primarily property taxes), and 15 percent is generated by sales taxes.

Figure I-18. McKinney General Fund Revenue, June 2019-20

Source:

City of McKinney, Monthly Financial Report.



Fiscal impacts of future housing development. Given McKinney's strong reliance on property taxes, the nature of future housing development is not just a matter of community visioning but also an important matter in the City's fiscal health.

- Unit-to-unit comparisons create a fiscal disincentive to support construction of housing with relatively lower property values.
- However, when considering property value per acre, there is a fiscal incentive to allow smaller lots and moderate density developments. Though each unit may have a lower

assessed value (e.g., smaller homes, attached/multifamily units); the increase in number of units raises the overall fiscal benefit.

- Increasing residential density where appropriate also raises the potential sales tax base by adding consumers to the local community.

- That said, there are some fiscal disincentives for municipal support of high density affordable housing:

    - Lower income residents generally spend less than an average income household does on taxable purchases, thus reducing potential sales tax revenue relative to higher income households.
    - Developing housing in the densities required for affordability may be viewed as fiscally unattractive due to the perceived higher service costs associated with dense multifamily development.

Though fiscal implications are not the only driver for future housing development, it is valuable for the city to understand the impacts of housing development on municipal revenue. Broadly speaking, the City should strive to maintain balance between high value but low density units and lower value but higher density units—this contributes to the diversity in housing stock to meet a broad spectrum of needs but also creates a strong base for property tax revenue.

The city's housing needs and development trends are discussed in more detail in Section II of this report.

Fiscal impacts of COVID-19. Sales tax is the second largest revenue source for McKinney, and the revenue source most directly impacted from the economic slow-down during the COVID-19 pandemic. According to recent research[3] as of July 2020 total consumer spending was down by 6.2 percent and small business revenue was down by 18.8 percent compared to January 2020. In Texas, the impacts if the pandemic have been stronger. As of July 2020, total consumer spending was down by 8.2 percent and small business revenue was down by 24.8 percent compared to January 2020.

Figures I-19 and I-20 show the percent change in consumer spending and small business revenue for Collin County from January to July 2020. Consumer spending was down by 11.2 percent, and small business revenue was down 28.9 percent compared to January 2020. During the Texas stay at home orders consumer spending contracted 32 percent and small business revenue contracted 50 percent compared to January 2020. Spending and

[3] Chetty, R., Friedman, J. N., Hendren, N., & Stepner, M. (2020). How did covid-19 and stabilization policies affect spending and employment? a new real-time economic tracker based on private sector data (No. w27431). National Bureau of Economic Research.

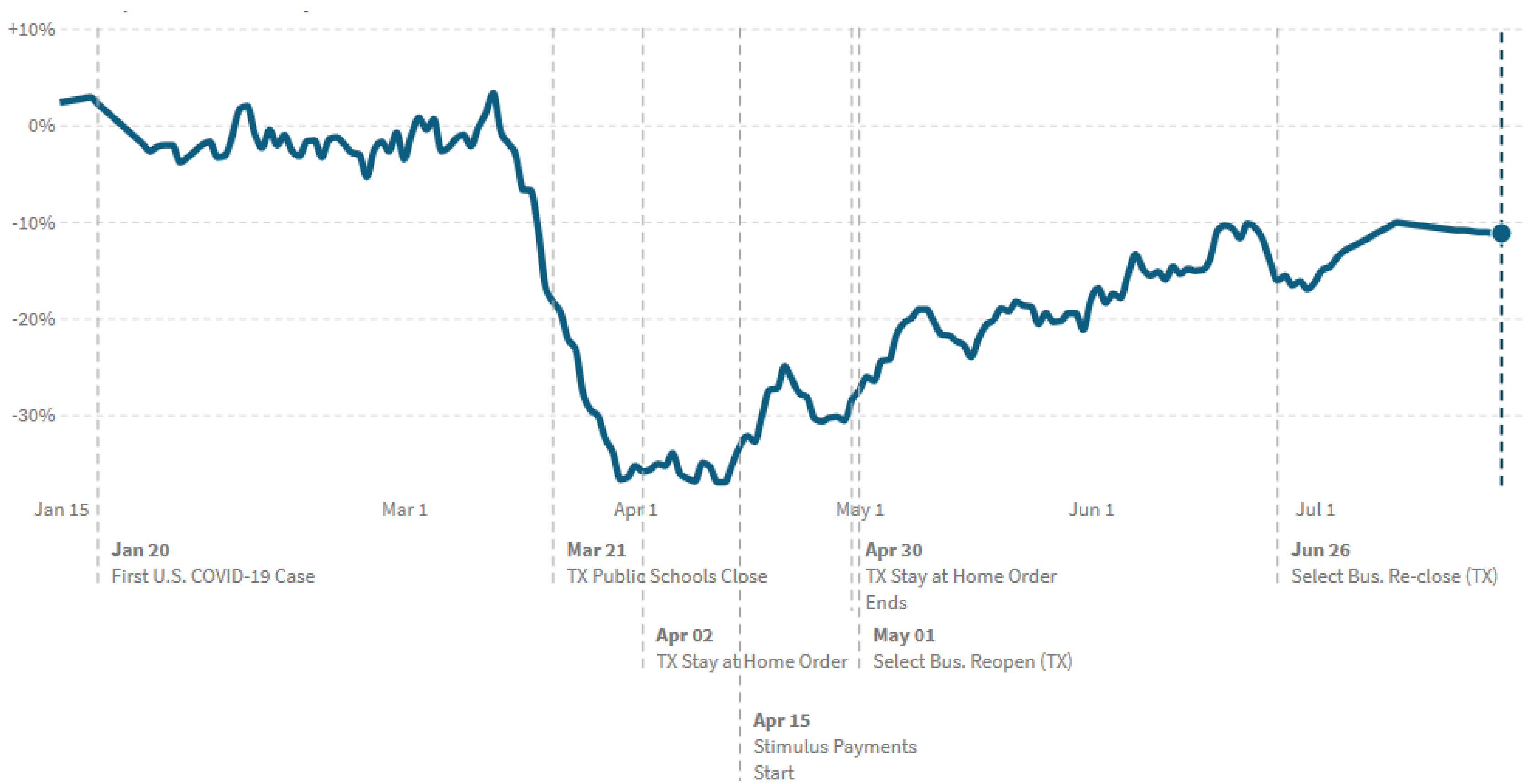
revenues started recovering after the reopening of businesses and federal stimulus payments, but remain far from reaching pre-pandemic levels.

According to a McKinney Downtown survey of business owners conducted on April 16, 2020; 87 percent of business suspended storefront operations due to COVID-19, 84 percent of the indicated their revenue had decreased between 50 to 75 percent. One third of them said they will be at risk of closing their business permanently if disruption continues for another one to two months. Their top concern was paying the month's rent or mortgage (68%).

Business owners were asked "what types of assistance would be most helpful?" Their answers included:

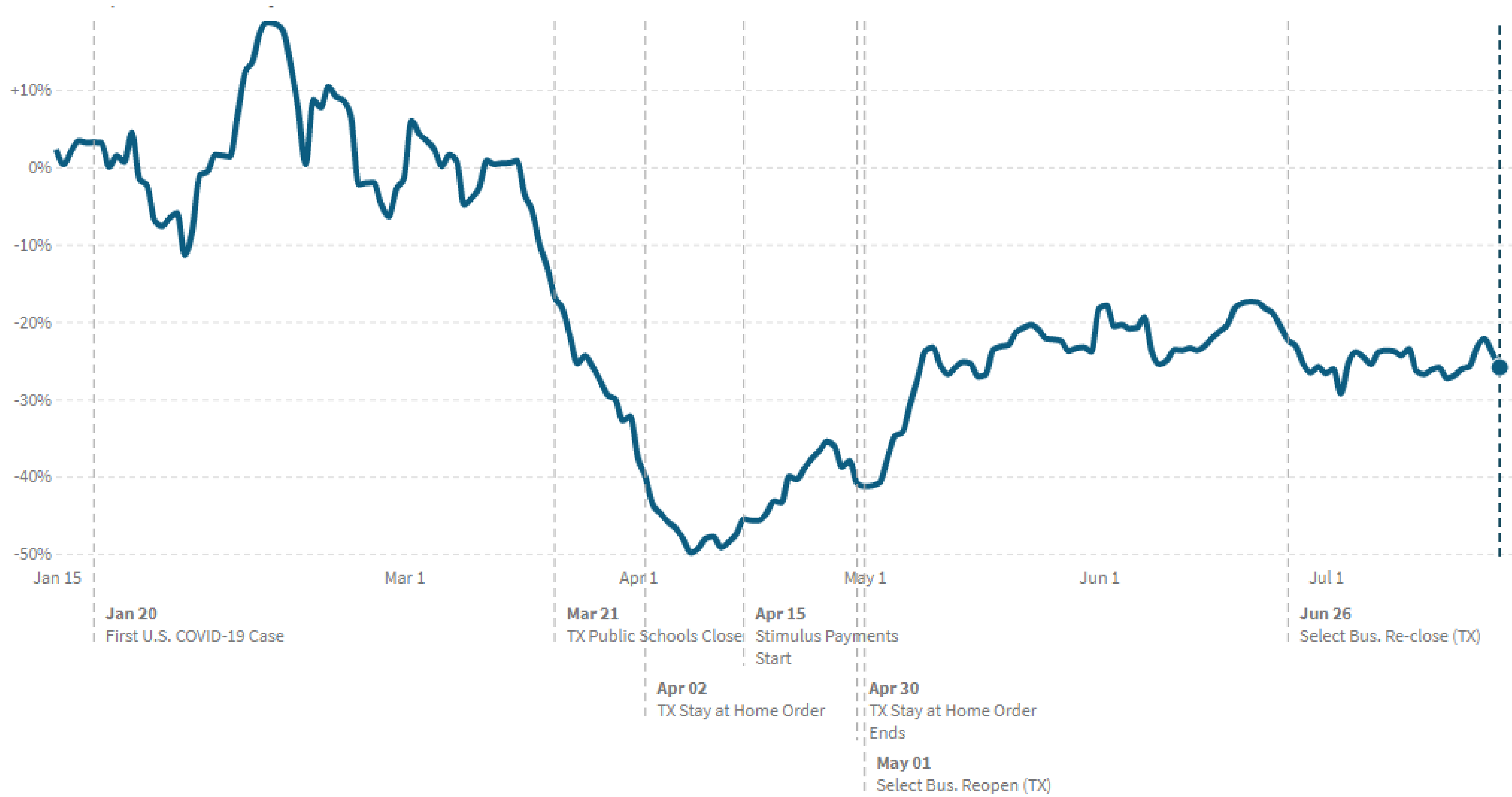
- Penalty-free extensions on expenses (rent, utilities, supplies, inventory) (70%);
- Information on financial assistance over the next 90 days (56%);
- How to protect my customers from COVID-19 (39%);
- How to protect my employees from COVID-19 (32%);
- Technical training on social media (18%);
- Technical training on website development & e-commerce (18%); and
- Immediate guidance on how to modify their business model (12%).

Figure I-19.
Percent Change in Consumer Spending, Collin County, January - July2020



Source: https://tracktherecovery.org/.

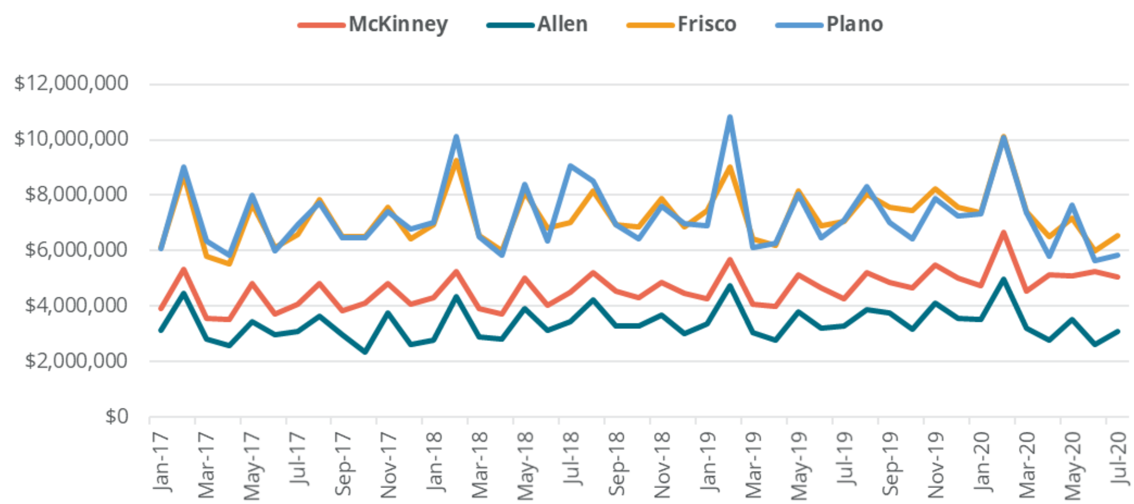
Figure I-20.
Percent Change in Small Business Revenue, Collin County, January - July2020



Source: https://tracktherecovery.org/.

According to data from the Texas Comptroller of Public Accounts, spending in McKinney has fared better than in surrounding communities. As shown in Figure I-21, sales tax receipts in McKinney saw a smaller drop compared to Allen, Frisco, and Plano. McKinney's position as a retail hub enabled the city to rank number 17 in terms of sales tax revenue in the state. While Frisco and Plano experienced sales tax revenue contractions of 7 percent and 17 percent respectively, McKinney's sales tax revenue increased by 18 percent compared to July of 2019.

Figure I-21.
Sales Tax Revenue, McKinney and Comparison Communities, Jan. 2017 – July 2020



Note: Data represent payment amount sent to each entity.

Source: Texas Comptroller of Public Accounts.

SECTION II.

HOUSING PROFILE AND MARKET ANALYSIS

SECTION II.
Housing Profile and Market Analysis

This section provides an analysis of McKinney's housing market. It examines housing supply and availability, development trends, affordability of rental and ownership housing, and housing demand.

The section begins with a definition of affordability and how affordability is typically measured. Then a discussion of price trends and affordability in both the rental and ownership markets is presented, followed by a gaps analysis, which evaluates mismatches in supply and demand in McKinney's housing market. The section concludes with future housing needs based on employment and income growth projections.

Defining and Measuring Housing Affordability

The most common definition of affordability is linked to the idea that households should not be cost burdened by housing. A cost burdened household is one in which housing costs—the rent or mortgage payment, plus taxes and utilities—consumes more than 30 percent of monthly gross income.

Figure II-1.
Affordability Definitions

Federal definition of affordability:

1) Housing costs are "affordable" if they do not exceed 30% of household's gross monthly income
2) "Costs" include basic utilities, mortgage insurance, HOA fees and property taxes

Households paying >30% for housing are **"cost burdened"**

Households paying >50% for housing are **"severely cost burdened"**

The 30 percent proportion is derived from historically typical mortgage lending requirements.[1] Thirty percent allows flexibility for households to manage other expenses (e.g., child care, health care, food costs, etc.).

Spending more than 50 percent of income on housing costs is characterized as severe cost burden and puts households at high risk of homelessness—it also restricts the extent to which households can contribute to the local economy.

Figure II-2 shows the income thresholds typically used to evaluate income qualifications for various housing programs, based on McKinney's area median income (AMI). AMI is defined annually by HUD market studies and McKinney is included in the Dallas Region for the purposes of HUD AMI. The figure provides AMI ranges and the housing types that serve the households in the AMI range.

Figure II-2.
Income Thresholds and Target Housing

"extremely" low income =< $25,860 per year, poverty level **< 30% AMI**	Public housing, Section 8, tenant-based rental assistance, transitional housing, other deeply subsidized rentals.
"very" low income $25,860-$43,100 per year **30-50% AMI**	Public housing, Section 8, rental tax credit developments, other rental products. Shared equity and land trust for homeownership.
"low" income $43,100-$68,960 per year **50-80% AMI**	Generally live in privately provided rental housing. Ownership with shared equity, land trust, other deed-restricted products, attached homes, homes in affordable areas.
"median" to "moderate" income $68,960-$103,440 per year **80-120% AMI**	Privately provided rental housing. General target for homeownership programs, can buy without assistance in affordable areas.

Note: MFI = HUD Median Family Income, 4-person household. McKinney is part of the Dallas MSA and as such shares HUD MFI designation with the broader metro area.

Source: Root Policy Research and HUD 2020 income limits.

[1] Recently, the 30 percent threshold has been questioned as possibly being lower than what a household could reasonably bear. Indeed, the U.S. Department of Housing and Urban Development has considered raising the contribution expected of Housing Choice ("Section 8") Voucher holders to 35 percent of monthly income. However, most policymakers maintain that the 30 percent threshold is appropriate, especially after taking into account increases in other household expenses such as health care.

Other common indicators of housing affordability include:

- **Housing costs v. income.** Many indices used to monitor affordability trends compare housing costs to income levels. At the most simplistic level, these compare median home prices to median incomes. Although such indices are useful in comparing markets, they fail to capture the uniqueness of some markets (e.g., how property taxes affect housing costs).

- **Housing gaps.** A housing gaps model compares the supply of housing at various price points to demand, using income as a proxy. This model allows an examination of housing affordability challenges by income range. The gaps approach is used in this report to examine affordability in McKinney.

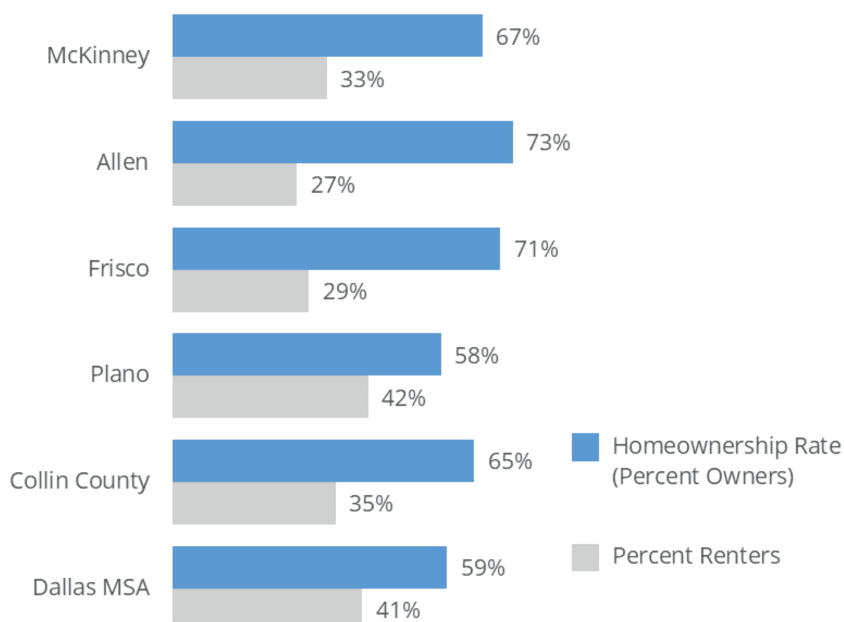
Existing Housing Stock

The U.S. Census counts approximately 63,900 occupied housing units in McKinney, with 67 percent of those owner-occupied and the balance, 33 percent, renter-occupied. This is lower than in 2010, when 72 percent of units were owner-occupied and 28 percent were renter-occupied.

As shown below, McKinney's homeownership rate of 67 percent is on par with most of the Texas comparison communities' rates, but significantly higher than in Plano and Dallas.

Figure II-3. Homeownership Rate, McKinney and Comparison Places, 2018

Source: 2018 -year ACS.



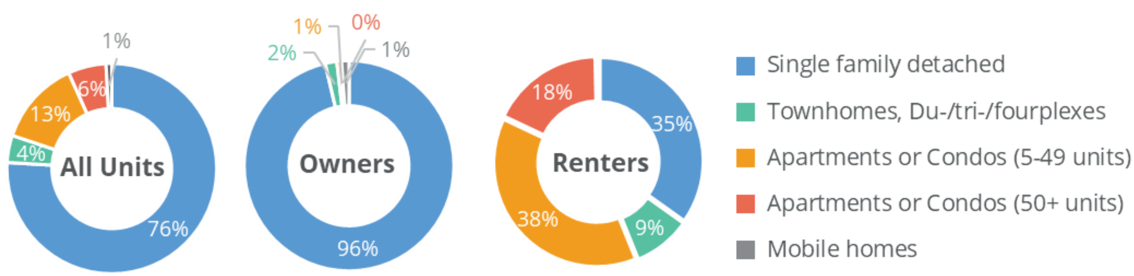
Housing type. McKinney's housing stock is made up primarily of single family homes (76%). Other types of structures include apartments (19%), duplexes/triplexes/fourplexes

(4%), and mobile homes (1%). Figure II-4 displays housing type overall and by "tenure" for McKinney. (In the housing industry, tenure means the status of renter- or homeownership).

There is very little product diversity in the owner-occupied housing stock in McKinney. The vast majority of McKinney's owners (96%) live in single family detached homes and just 3 percent of owners live in other product types like townhomes, duplexes, triplexes, and condos—often referred to as "missing middle" products.

A majority of renters (65%) live in attached units, most of which are apartments with 5 to 49 units in the structure. Over one-third of renters live in single family detached homes (35%) and 9 percent live in townhomes, and duplexes/triplexes/fourplexes.

Figure II-4.
Occupied Housing by Type and Tenure, McKinney, 2018



Source: 2018 1-year ACS.

Compared to other Texas communities of similar characteristics, McKinney has a similar proportion of single family detached homes as Frisco and Collin County overall. Allen has a higher share of single family detached homes, while Plano and Dallas have a slightly more diverse housing stock (Figure II-5).

Figure II-5.
Comparative Housing Type, McKinney and Comparison Places, 2018

	McKinney	Allen	Frisco	Plano	Collin County	Dallas MSA
Single family detached	76%	82%	79%	63%	71%	65%
Single family attached (townhomes)	2%	2%	2%	4%	2%	3%
Duplexes/triplexes/fourplexes	2%	2%	2%	3%	3%	4%
Apartments/Condos (5-49 units)	13%	9%	9%	20%	15%	18%
Apartments/Condos (50+ units)	6%	4%	7%	10%	7%	7%
Mobile homes	1%	0%	1%	0%	2%	3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

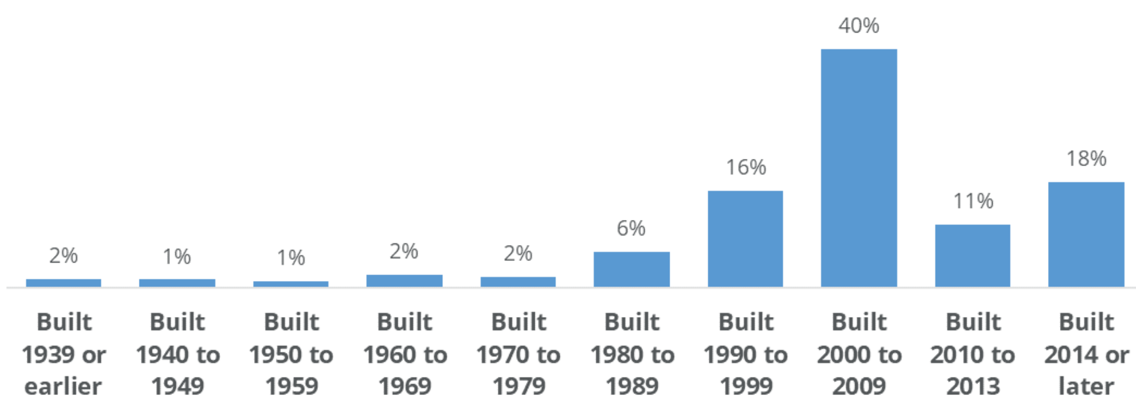
Source: 2018 1-year ACS.

Household size and bedrooms. The average household size in McKinney is 2.92 people per unit. Owner-occupied units have an average size of 3.24; renters, a lower 2.26.

One third of housing units have three bedrooms and another third have four bedrooms. Fifteen percent of units have two bedrooms; 10 percent are one-bedroom units; and another 10 percent have 5 bedrooms or more.

Age of housing stock. Figure II-6 shows the distribution of McKinney's housing stock by age. The vast majority of the city's housing stock was built after 1990 (85%), with a great deal of construction between 2000 and 2009 (40%). A significant share of homes has been built in the past decade.

Figure II-6.
Age of Housing Stock, McKinney, 2018



Source: 2018 1-year ACS.

Nearly all of McKinney's housing stock was built after 1940, therefore reducing the risk of lead-based paint.[2] Age of homes can be an important indicator of housing condition: older houses tend to have more condition problems and are more likely to contain materials such as lead based paint. Just 2 percent of the housing units in McKinney were built before 1940 and over 90 percent were built after 1980.

Overcrowding and substandard conditions. Other key factors to examine when evaluating housing condition are overcrowding and substandard units. Overcrowding

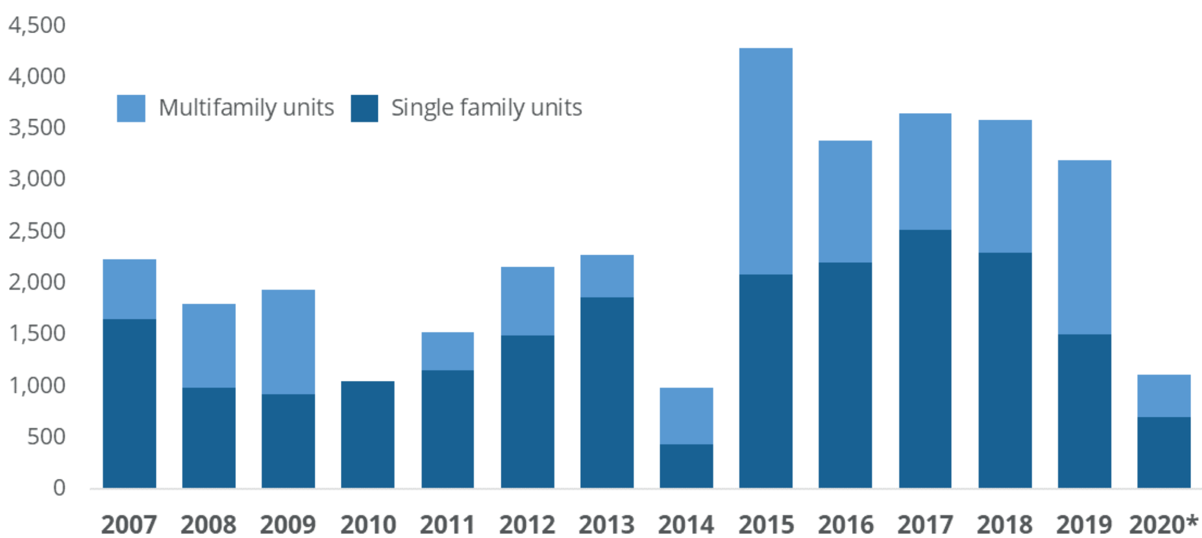
[2] Lead-based paint was banned from residential use in 1978. Housing built before 1978 is considered to have some risk, but housing built prior to 1940 is considered to have the highest risk. After 1940, paint manufacturers voluntarily began to reduce the amount of lead they added to their paint. As a result, painted surfaces in homes built before 1940 are likely to have higher levels of lead than homes built between 1940 and 1978.

in housing can threaten public health, strain public infrastructure, and points to an increasing need of affordable housing. This study uses HUD's definition of having more than one person per room to identify overcrowded units.[3] Less than one percent of the city's households—or about 164 households—are overcrowded.

The 2018 1-year ACS reported that no occupied units in the city lacked complete plumbing facilities and 82 occupied housing units lacked complete kitchens. These are considered substandard units and represent less than one percent of the city's total occupied housing units.

Development activity. The City's Planning Department tracks permit activity by unit type in McKinney. Figure II-7 shows single family and multifamily permitting activity from 2007 through June 2020. Both single family and multifamily development accelerated between 2015 and 2018, after a slow 2014. Since 2015, 11,300 single family and 7,900 multifamily units have been permitted.

Figure II-7.
Residential Building Permit Trends, McKinney, 2007 – 2020



Note: *2020 includes permits from January through June.

Source: McKinney Planning Department Annual Development Reports.

Altogether, permits issued between 2007 and June 2020 totaled 20,865 single family homes, and 12,312 multifamily units. Permits for multifamily units in McKinney have been

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[2] The HUD American Housing Survey defines a room as an enclosed space used for living purposes, such as a bedroom, living or dining room, kitchen, recreation room, or another finished room suitable for year-round use. Excluded are bathrooms, laundry rooms, utility rooms, pantries, and unfinished areas.

mostly for apartment complexes given that the number of buildings permitted for multifamily units ranges from 0 in 2010 to 9 buildings in 2015.

Profile of Renters and Owners

Figure II-8 summarizes characteristics of renters and owners in McKinney. The figure displays the number and distribution of renter and owner households by demographic characteristics and also provides the homeownership rate by income, age group, household type and race/ethnicity.

- Owners tend to be older and earn higher incomes than renters (median income for renters is 48% of the median income for owners).
- Owners are more likely than renters to have children living in the home—45 percent of owners and 36 percent of renters are households with children.
- Renters are more likely than owners to be living in non-family households (e.g., living alone, living with roommates, or unmarried partners).
- Owners are more likely to be non-Hispanic White and Asian, homeowners are underrepresented among the Hispanic and African American populations.

Compared to the U.S. and Texas, McKinney has a slightly higher ownership rate. Across demographic groups McKinney has similar ownership rates as the U.S. and Texas. However, households with income below $25,000 are significantly less likely to be homeowners in McKinney—the homeownership rate of low income households in the U.S. and Texas is 41 percent, compared to 28 percent in McKinney.

Figure II-8. Profile of Renters and Owners, McKinney, 2018

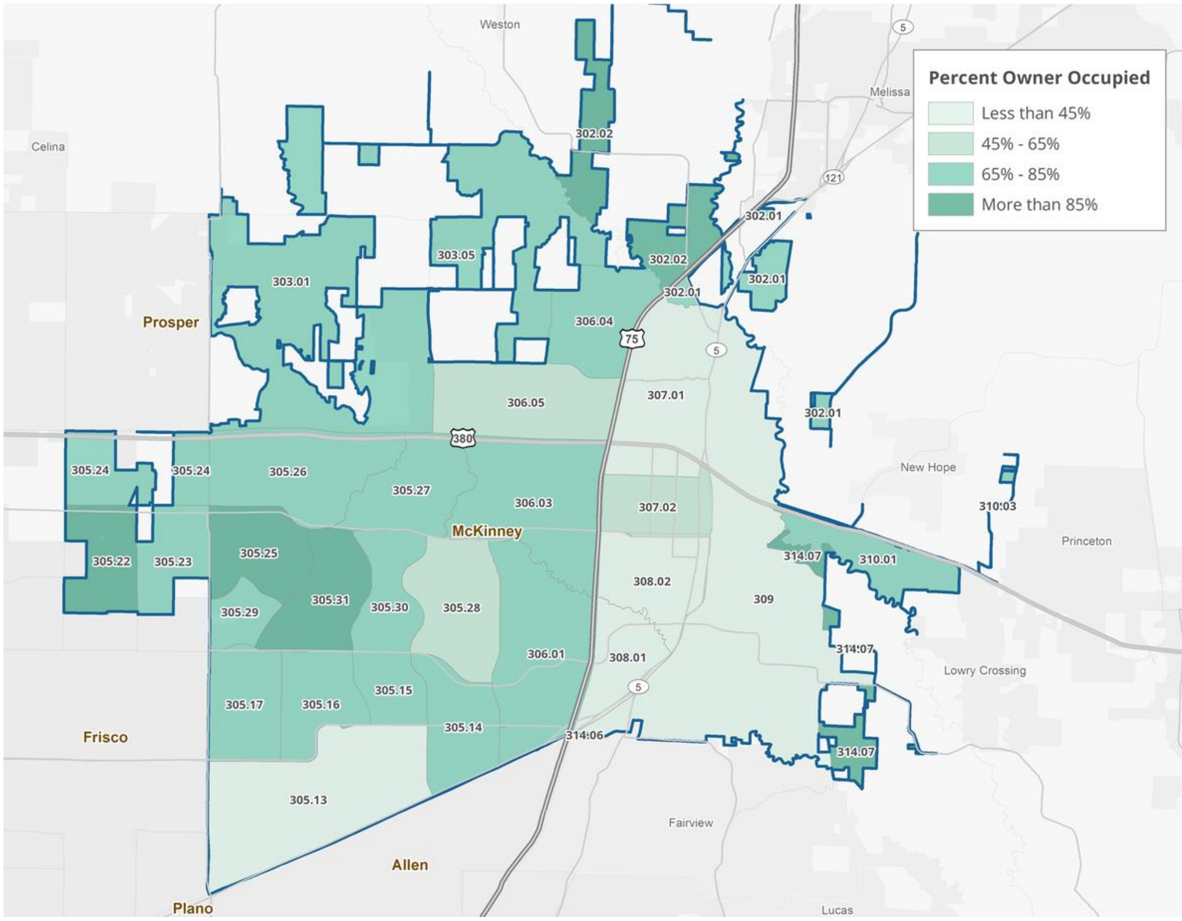
Source:

2018 1-year ACS.

	Renters		Owners		Ownership Rate	Ownership Rate Charted
	Number	Percent	Number	Percent		
Total Households	**21,202**	**100%**	**42,687**	**100%**	**67%**	67%
Median Income	**$54,973**		**$114,455**			
Income Distribution						
Less than $25,000	4,222	20%	1,638	4%	28%	28%
$25,000 - $50,000	4,755	22%	4,888	11%	51%	51%
$50,000 - $75,000	4,433	21%	5,840	14%	57%	57%
$75,000 - $100,000	2,898	14%	5,217	12%	64%	64%
$100000+	4,894	23%	25,104	59%	84%	84%
Age of Householder						
Young millennials (15-24)	1,673	8%	246	1%	13%	13%
All householders 25 and over	19,529	92%	42,441	99%	68%	68%
Ages 25-34	5,588	26%	4,307	10%	44%	44%
Ages 35-44	5,433	26%	11,865	28%	69%	69%
Ages 45-64	5,820	27%	18,881	44%	76%	76%
Ages 65 and older	2,688	13%	7,388	17%	73%	73%
Household Type						
Family household without children	5,317	25%	17,673	41%	77%	77%
Family household with children	7,560	36%	19,159	45%	72%	72%
Nonfamily household - living alone	6,994	33%	5,090	12%	42%	42%
Other nonfamily household	1,331	6%	765	2%	36%	36%
Race/Ethnicity of Householder						
Non-Hispanic White	13,334	63%	30,610	72%	70%	70%
Hispanic	3,327	16%	4,423	10%	57%	57%
African American	4,126	19%	2,863	7%	41%	41%
Asian	387	2%	3,627	8%	90%	90%
Other minority	28	0%	1,164	3%	98%	98%

Figure II-9 shows the ownership rate by census tract in McKinney. Ownership rates are much lower to the east of Highway 75 and on the southwest part of the city that borders Plano and Allen.

Figure II-9.
Proportion of Homeowners by Census Tract, McKinney, 2018

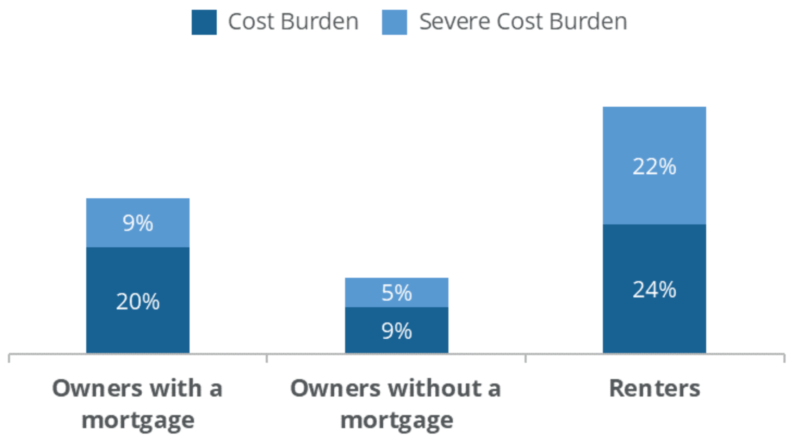


Source: 2018 5-year ACS.

Cost burden. Altogether, 46 percent of all McKinney renters, more than 9,200 renter households, are cost burdened, spending 30 percent or more of their income on housing costs. Of these, almost half (nearly 4,400 households) are severely cost burdened, paying more than 50 percent of their income on housing costs. Owners face lower rates of cost burden, with 29 percent of owners with a mortgage and 14 percent of owners without a mortgage facing cost burden.

Figure II-10. Cost Burdened Owners and Renters, McKinney, 2018

Source:
2018 1-year ACS.



Ownership Market Trends

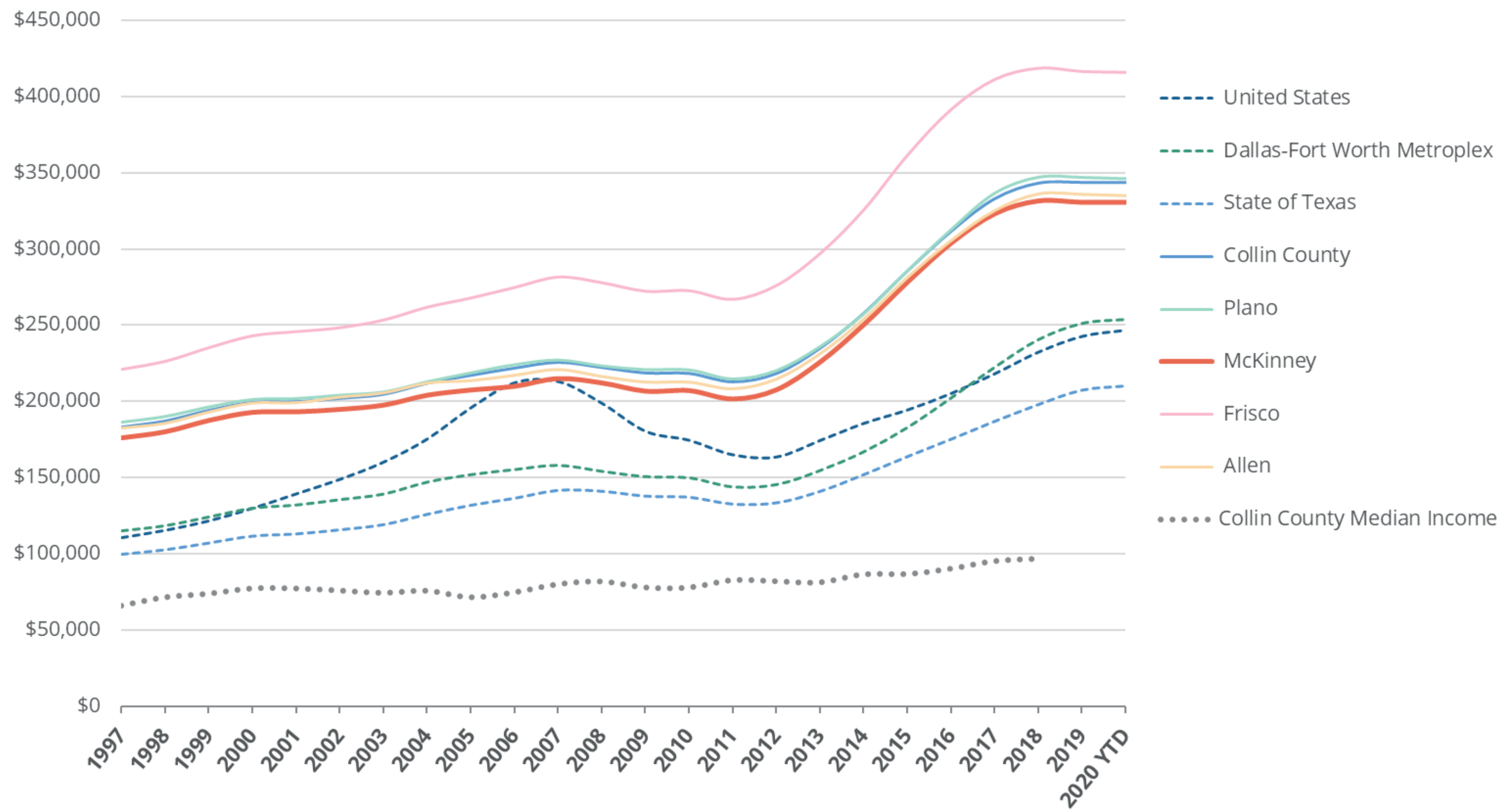
This section discusses ownership market trends and affordability in McKinney. Gaps in the ownership market are discussed in more detail in the Gaps Analysis section.

Price increases. Similar to most housing markets across the country, McKinney has experienced substantial increases in home prices since 2000. Sharp increases in home prices are particularly notable between 2012 and 2018—in both McKinney and comparative Texas communities. Median incomes, however, have not kept pace. Markets in Texas and at the national level show a recent softening in 2018, this is due to interest rate changes and the limitation in the pool of buyers able to afford the recent steep price increases.

Figure II-11 shows McKinney's median home price trends from 1997 through 2020 based on data from Zillow Analytics. Other communities, the State of Texas, and U.S. home values are included for comparison. Trends in Collin County's median income are also presented in the graphic to compare home price shifts to income shifts.

As shown in the figure, McKinney's price trends have closely mirrored those of the greater Dallas metro area and Texas as a whole. McKinney's price trend is also quite similar to Allen, Plano, and Collin County. Frisco's values are significantly higher than other comparison communities across all time periods. The graphic also demonstrates how McKinney and surrounding Texas communities avoided the severe housing bubble (2005-2008) experienced by the overall U.S. market.

Figure II-11.
Median Zillow Home Price Index of All Homes, McKinney and Surrounding Communities, 1997 to 2020YTD

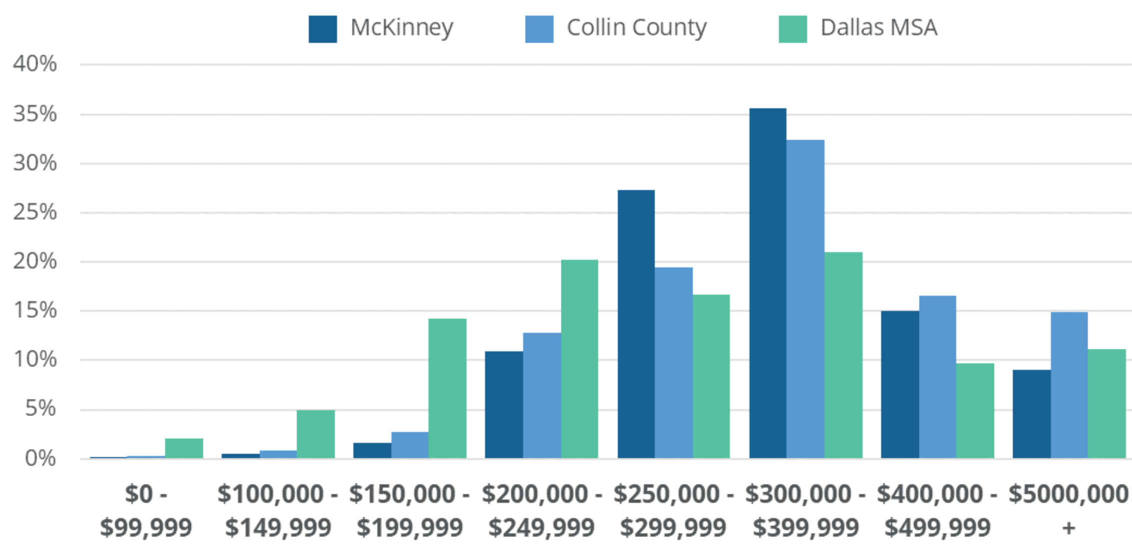


Note: Includes both single family detached and condo units.

Source: Zillow Home Value Index and Root Policy Research.

Price distribution. Figure II-12 shows the price distribution of homes sold in 2019 in McKinney, Collin County, and the Dallas metro. Over half (63%) of homes sold were priced between $250,000 and $400,000. The home price distribution in McKinney is fairly similar to the Collin County distribution and less affordable than the Dallas metro as a whole. Less than 3 percent of homes sold in McKinney and less than 4 percent in Collin County were priced below $200,000.

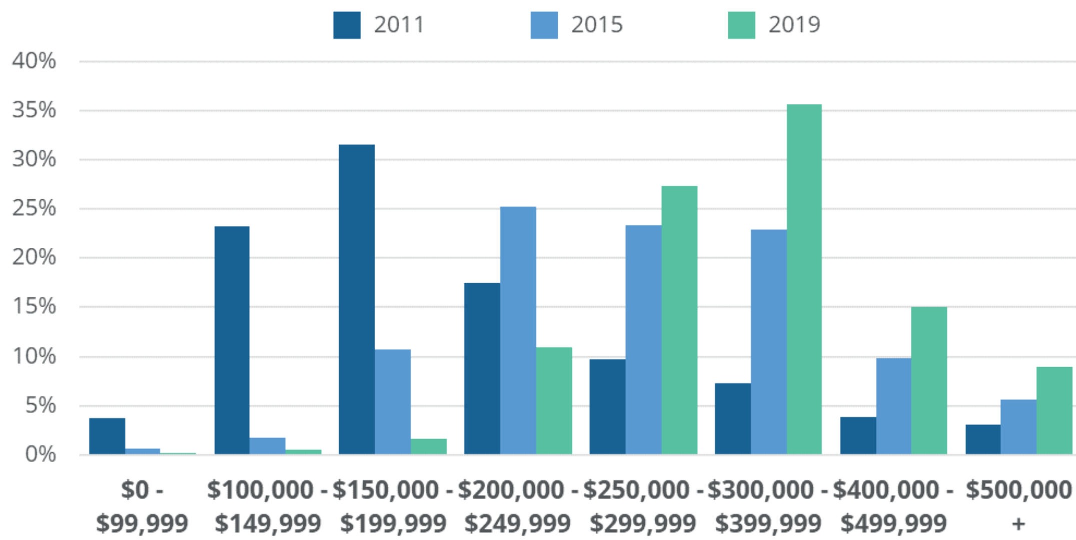
Figure II-12.
Home Price Distribution, McKinney and Neighboring Metros, 2019



Source: Texas A&M University Real Estate Center.

Figure II-13 presents McKinney's home price distribution in 2011, 2015, and 2019. There has been a significant loss in affordable entry-level ownership options since 2011. The share of homes sold that were priced below $200,000 dropped from 58 percent in 2011 to less than 3 percent in 2019 and the share of homes sold for $300,000 or more rose from 14 percent in 2011 to 60 percent in 2019.

Figure II-13.
Home Price Distribution, McKinney, 2011, 2015, and 2019



Source: Texas A&M University Real Estate Center.

The shift in the distribution of home prices is not unique to McKinney. Figure II-14 presents median home prices and the number of home sales in McKinney and surrounding communities in 2011 and 2019. Home prices in McKinney grew at similar annual rates as in other communities although it still had a lower median home price in 2019. Home sales grew at a similar rate than in Collin County and the Dallas metro and faster than in Allen, Frisco, and Plano. Market forces on both the demand and supply sides of the state's housing markets have contributed to the state's rising home prices. On the demand side are higher growth rates for the state's economy and on the supply side are land prices, which are increasing and making up a growing percentage of a home's overall price.[4]

[4] https://www.recenter.tamu.edu/articles/tierra-grande/Dirt-Isn%27t-Cheap-Anymore

Figure II-14.
Price and Sales trends, McKinney and Comparison Places, 2011-2018

	2011		2019		Annual Growth Rate	
	Median Price	Sales	Median Price	Sales	Median Price	Sales
McKinney	$180,000	2,314	$317,900	3,329	7%	5%
Allen	$202,750	1,278	$338,750	1,520	7%	2%
Frisco	$268,000	2,308	$422,000	3,128	6%	4%
Plano	$207,400	2,681	$340,000	3,138	6%	2%
Collin County	$198,000	10,461	$338,000	17,088	7%	6%
Dallas MSA	$149,900	62,954	$273,138	103,450	8%	6%

Source: Texas A&M University Real Estate Center.

Figure II-15 shows characteristics of the homes listed/sold in McKinney during the last half of 2019 and first half of 2020. About one-fourth of the city's homes (26%) were priced below $300,000 and another fifth (17%) were priced over $500,000. The majority of homes listed/sold (58%) were priced between $300,000 and $500,000.

Though there were relatively few attached homes listed (condos, townhomes, du-/tri-/four-plexes), those homes were much more likely to be listed for less than $300,000 (57%).

On average, the homes listed or sold in McKinney in 2019 and 2020 were 2,700 square feet with four bedrooms and three baths. The average home listed was on the market for 167 days before being sold. Attached homes stayed on the market for 156 days on average indicating relatively higher demand for these more affordable alternative unit types.

Figure II-15. Home Sales Characteristics, McKinney, 2019-2020

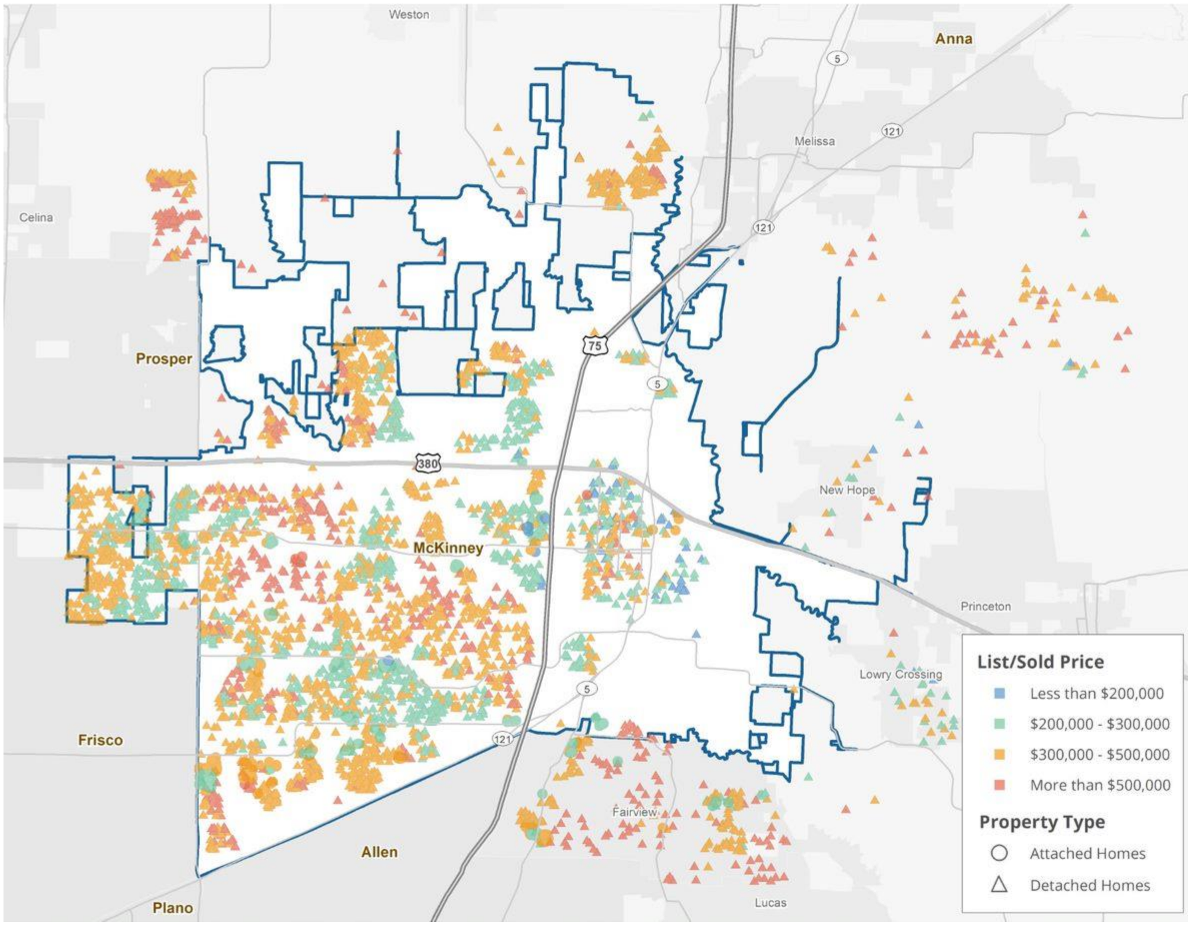
Source:

Redfin MLS data and Root Policy Research.

	Attached	Detached	Total
Total Homes			
Number	327	4,565	4,892
Percent of All Homes	7%	93%	100%
Price			
Sale Price of <$300k	57%	24%	26%
Sale Price of $300k - $500k	42%	59%	58%
Sale Price of >$500k	2%	18%	17%
HOA Fees			
Percent of Homes with HOA Fees	92%	75%	76%
Median HOA Fee	210	55	58
Average Characteristics			
Square Feet	1,881	2,757	2,698
Lot Size	5,091	18,003	17,125
Number of Baths	2	3	3
Number of Bedrooms	3	4	4
Year Built	2011	2006	2006
Days on Market	156	168	167

Figure II-16 displays the geographic distribution of homes listed/sold in 2019-2020 by price point in McKinney; attached homes are represented by circles and detached homes by triangles. As illustrated by the map, very few homes were listed/sold for less than $2000,000 (1%) and those that did sell at that price point were primarily located in central and eastern McKinney. Homes priced between $2000,000 and $500,000 were available in multiple neighborhoods of the city and higher priced homes were primarily concentrated in the west.

Figure II-16.
Homes Listed/Sold in McKinney by Price, 2019-2020 YTD

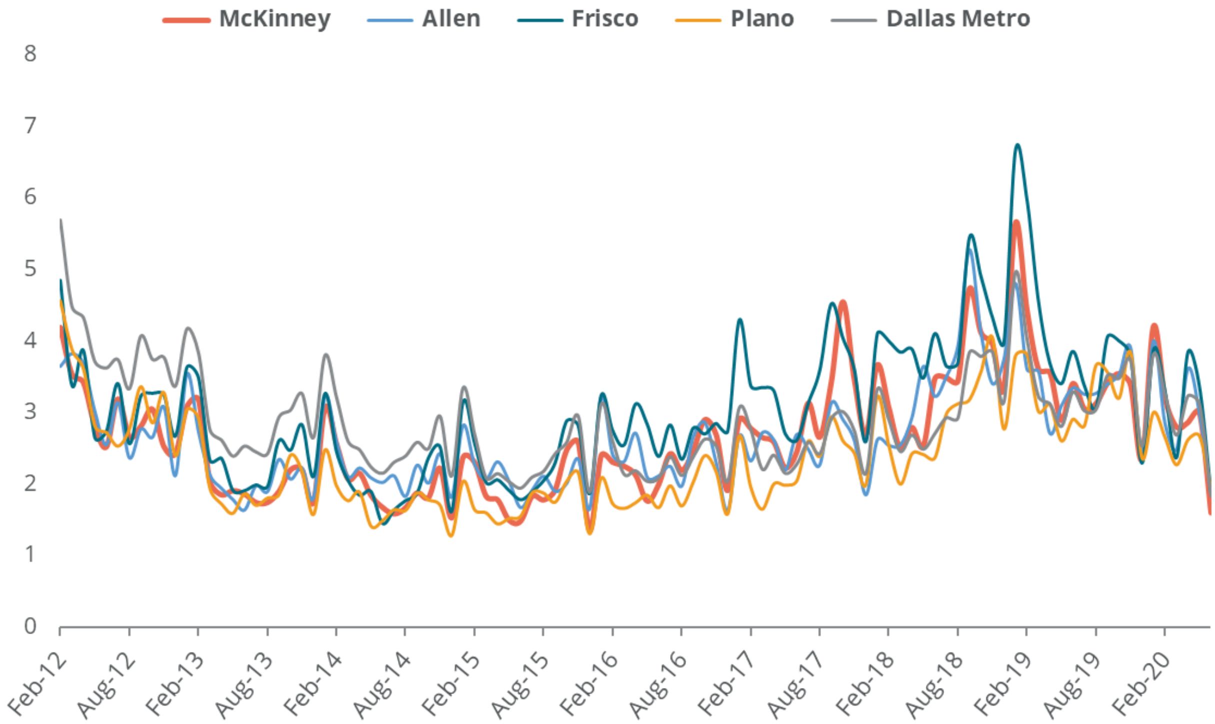


Source: Redfin home listing data and Root Policy Research.

The COVID-19 pandemic had a short lived impact on the housing market. According to Redfin data, new listings in McKinney contracted by 30 percent during the State's stay at home orders in April compared to April of 2019. However, as of June 2020, new listings are down only 5 percent compared to June of 2019.

The housing inventory remains low. Figure II-17 shows months of inventory (MOI) for McKinney and comparison communities. As of June 2020, McKinney's MOI was 1.8 months— a MOI around 6 months is considered a balanced housing market. As shown in the figure, low housing inventory is found across the region.

Figure II-17.
Months of Inventory, McKinney and Comparison Communities, Feb. 2012-June 2020



Source: Redfin MLS data and Root Policy Research.

Other ownership costs. In addition to the price of housing, owners (and renters who would like to buy a home) grapple with utilities, property taxes and Home Owner Association (HOA) fees; these fees are paid monthly by owners of certain types of residential properties to assist with maintaining common amenities in the neighborhood. Property taxes are generally the second highest monthly ownership cost after mortgage. According to the Tax Foundation, the median property taxes paid in Collin County were $5,088 in FY 2017, or $424 per month. That amount was above neighboring Dallas and Denton counites (medians of $2,954 and $4,489). [5]

According to a study conducted by the Texas Real Estate Center the average annual property tax in 2017 for McKinney was $6,457, lower than Frisco's $7,683, but higher than Allen's $6,188 and Plano's $5,588.[6]

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[5] https://taxfoundation.org/county-property-tax-paid-2019/

[6] https://assets.recenter.tamu.edu/Documents/Articles/2221.pdf

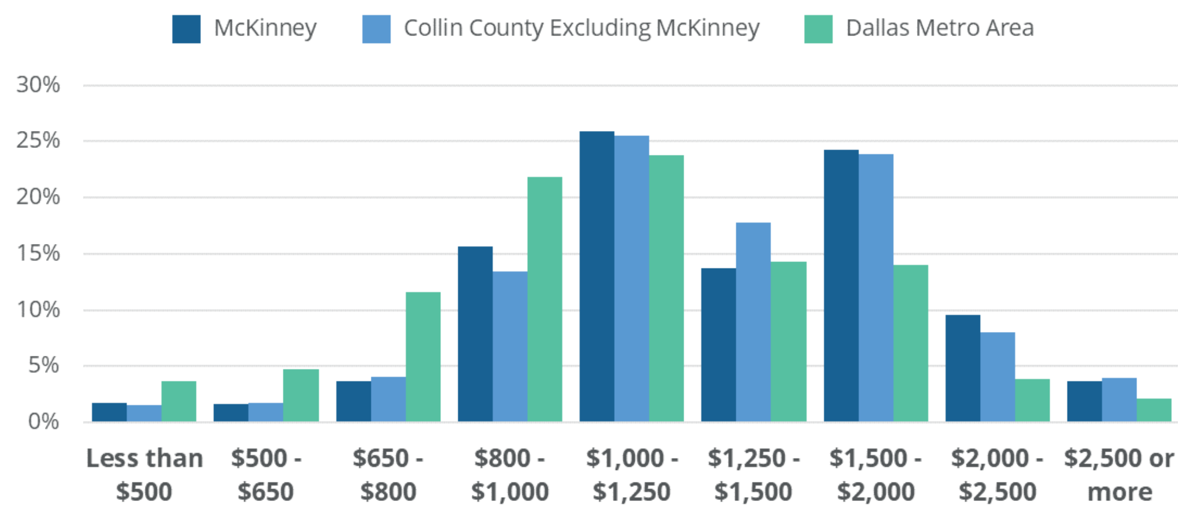
In McKinney, three fourths of homes listed/sold over the past year had an HOA. Among homes with an HOA, the median HOA fee was $58 per month.

As is typical, the median HOA fee for attached homes was significantly higher than for detached homes ($210 v. $55 per month), though it should be noted that only 7 percent of homes listed/sold were attached (e.g., townhomes, du-/tri-/four-plexes, and condos). HOA fees are commonly levied on condo/townhome owners and typically cover the costs of maintaining the building's common areas, such as lobbies, patios, landscaping, swimming pools, and elevators.

Rental Market Trends

Figure II-18 displays the distribution of rents in McKinney, Collin County, and Dallas metro. Half of McKinney renters (51%) pay over $1,250 per month, one fourth (26%) pay between $1,000 and $1,250. Sixteen percent pay between $800 and $1,000 per month and 7 percent pay less than $800 per month. Rents in McKinney and Collin County are considerably less affordable than in the Dallas metro area.

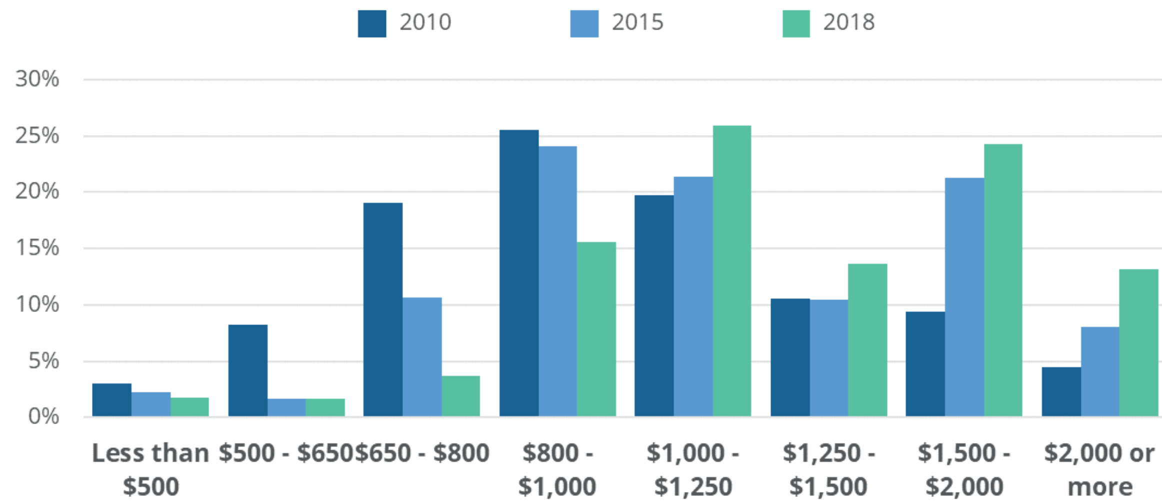
Figure II-18.
Rent Distribution, McKinney and Surrounding Communities, 2018



Source: 2018 5-year ACS.

McKinney's rental distribution has changed considerably since 2010. As shown in Figure II-19, in 2010 the distribution of rentals was skewed toward rentals priced below $1,000, which represented 56 percent of rentals in 2010—in 2018, however, only 23 percent of rentals were priced below $1,000.

Figure II-19.
Rent Distribution, McKinney, 2010, 2015, and 2018



Source: 2010, 2015, and 2018 5-year ACS.

Figure II-20 shows median gross and contract rents for McKinney and surrounding communities in 2010 and 2018. The rise in rental prices is not unique to McKinney. In fact, McKinney's median rent has grown at a slower average annual rate and has remined more affordable than Allen, Frisco, Plano, and Collin County overall. Median gross rent in McKinney was $1,332 per month in 2018, which is a 30 percent increase over the previous 8 years; while contract rent was $1,215 per month in 2018, which is a 51 percent increase over the previous 8 years.

Figure II-120.
Median Rent, McKinney and Comparison Communities, 2010 and 2018

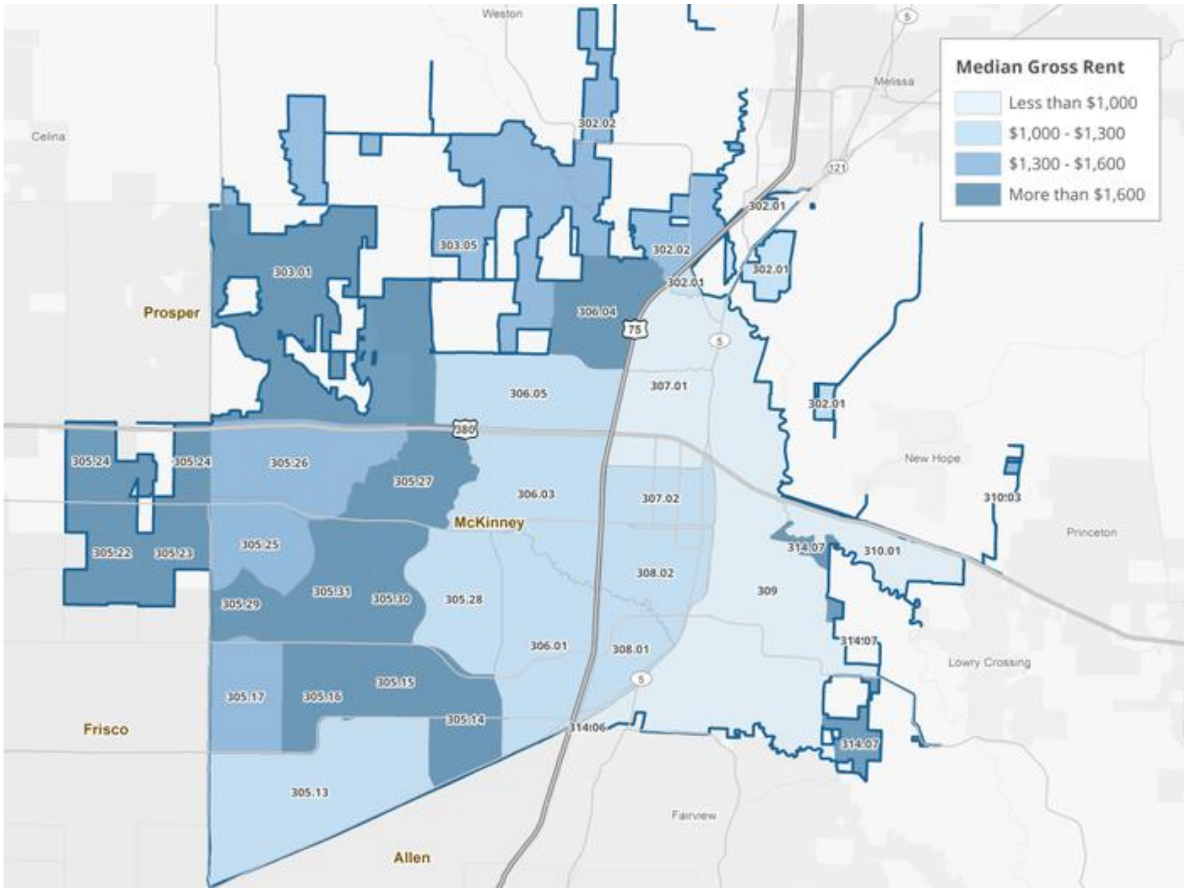
Source:

2010 and 2018 1-year ACS and Root Policy Research.

	2010	2018	Compound Annual Growth Rate
Median gross rent			
McKinney	$1,026	$1,332	3%
Allen	$1,114	$1,500	4%
Frisco	$1,065	$1,494	4%
Plano	$963	$1,435	5%
Collin County	$963	$1,391	5%
Dallas MSA	$855	$1,152	4%
Median contract rent			
McKinney	$806	$1,215	5%
Allen	$963	$1,366	4%
Frisco	$866	$1,389	6%
Plano	$806	$1,280	6%
Collin County	$793	$1,238	6%
Dallas MSA	$691	$989	5%

Figure II-21 displays the median gross rent (from the ACS) by neighborhood in McKinney. The lowest rents tend to be located near downtown and east McKinney.

Figure II-21.
Median Rent, by Census Tract, 2018



Source: 2018 5-year ACS.

Renter affordability. Figure II-22 shows the median rent in McKinney by number of bedrooms and the minimum income required to avoid being cost burdened. The median contract rent for a two bedroom apartment is $1,290—to afford this rent without being cost burdened, McKinney households need to earn around $51,600 per year—forty-two percent of renters in McKinney earn less than $50,000.

Figure II-22.
Rental Affordability, McKinney, 2018

Note:
Calculation for income required exclude utilities.

Source:
2018 5-year ACS.

Rental Size	Median Rent	Income Required
Studio	$1,089	$43,560
1 bedroom	$1,123	$44,920
2 bedrooms	$1,290	$51,600
3 bedrooms	$1,740	$69,600
4 bedrooms	$2,030	$81,200

As previously shown in Figure II-10, nearly half of renters in McKinney are cost burdened. More than 9,200 renter households, are cost burdened, spending 30 percent or more of their income on housing costs. Of these, almost half (nearly 4,400 households) are severely cost burdened, paying more than 50 percent of their income on housing costs.

According to the most recent Texas Quarterly Apartment Report[7], which reports data for the first quarter of 2020, the Dallas metro apartment market performed strong in 2019. In Q12020, while the vacancy rate rose slightly to from 8.2 to 8.3 percent and construction starts declined; rent growth held steady at 3.5 percent. Due to the COVID-19 pandemic, vacancy rates are expected to increase and rent growth may slow down during 2020.

Publicly assisted rental units. Publicly assisted housing refers to renter households or rental units that receive some type of public subsidy or have an income restriction. Types of publicly assistance include Low Income Housing Tax Credit (LIHTC) properties, HUD Housing Choice Vouchers, public housing and Project-Based section 8.

The Housing Authority of McKinney administers 355 Housing Choice Vouchers (HCV) that low income renters can use in or near McKinney.[8] In addition, the city currently has 14 properties with a total of 2,128 affordable multifamily units through LIHTC program.

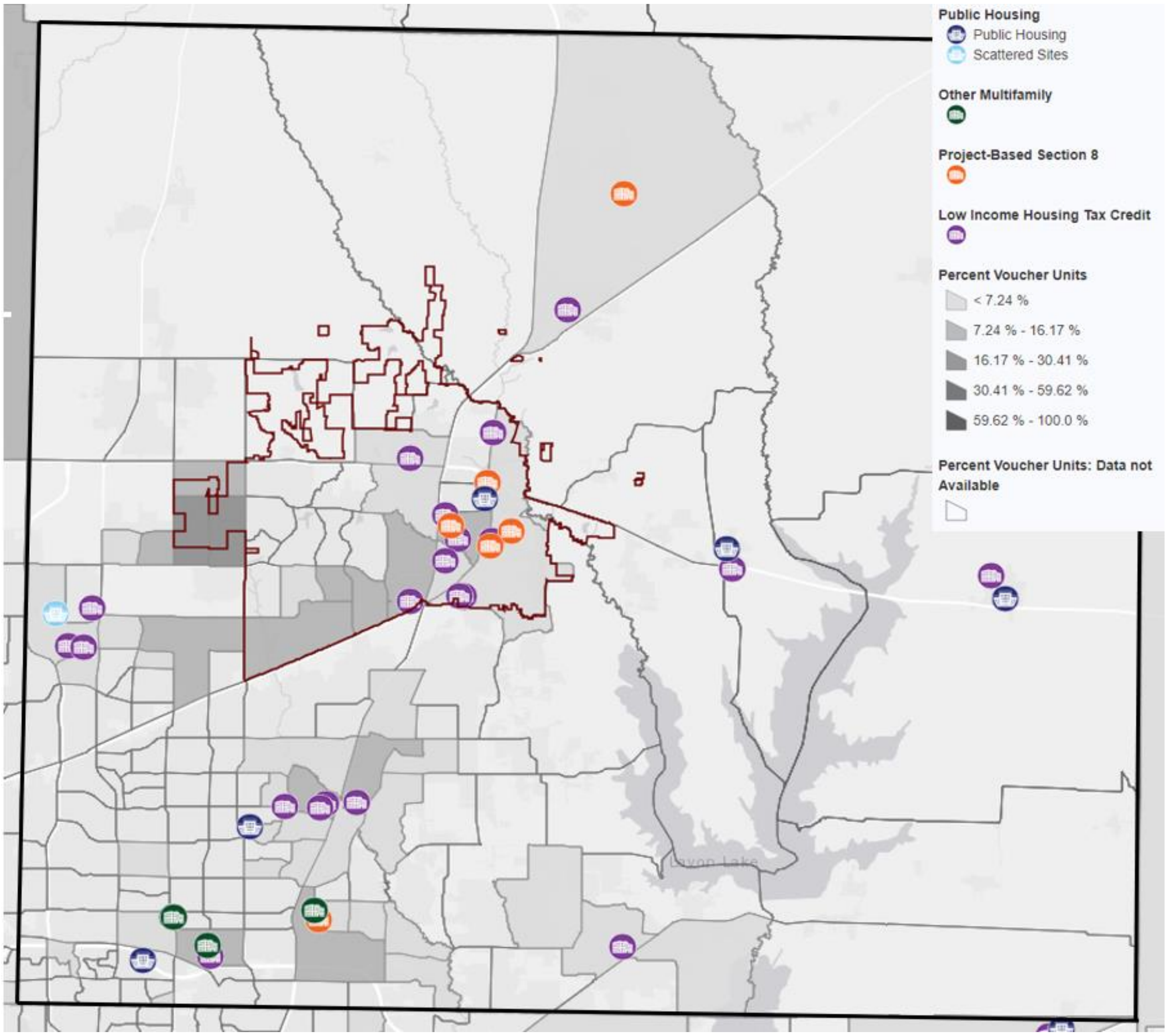
Figure II-23 maps the location of publicly assisted units in the city; location specific units are shown by icons while voucher use (as a percent of rental units) is indicated by gray shading. Most place-based units are in Eastern McKinney while voucher use is apparent in other parts of the city, excluding northwest McKinney.

McKinney has a higher share of project-based section 8 housing compared to other jurisdictions in Collin County. According to HUD data, 60 percent of the county's project-based section 8 units are located in McKinney (the rest in Plano). In addition, McKinney has a higher share of County LIHTC units than its share of County population overall (44% v. 19%). The opposite is true in Frisco (9% v. 19%), Plano (24% v. 29%), and Allen (2% v. 10%), all of which are providing a lower share of LIHTC units compared to their share of the population.

[7] https://www.recenter.tamu.edu/articles/research-article/TexasQuarterlyApartmentReport-2242

[8] Housing vouchers provided by McKinney's Housing Authority can be used within a 50-mile radius and vouchers from other housing authorities can be used in McKinney; therefore, it is difficult to tack McKinney voucher users that may live outside McKinney or voucher users from other jurisdictions living in McKinney.

Figure II-23.
Publicly Assisted Housing Units, Collin County and McKinney



Source: HUD AFFH-T.

Housing Needs Among Special Populations

In addition to general affordability challenges, there are specific population groups that have unique housing and/or supportive service needs. Figure II-24 displays existing and projected housing needs for such populations in McKinney. These categories of special populations align with "non-homeless special needs populations" in HUD's Consolidated Plan requirements. Existing needs are based on HUD's "CHAS" data (Comprehensive Housing Affordability Strategy) which identifies housing problems of the population overall and of special populations.

- Ninety-two percent of extremely low income families, and 85 percent of low income families experience some for of housing problem. These households have limited capacity to adjust to rising home prices and are vulnerable to even minor shifts in rents, property taxes, and/or incomes. In McKinney, 5,175 low- and moderate-income households are severely cost burdened and therefore at risk of homelessness.

- Overall, 42 percent of households that contain a member with a disability have one or more housing problems. By that measure, 3,415 households containing a person with a disability have some type of housing need. According to the resident survey, the top housing challenges for people with disabilities include struggling to pay for property taxes, worrying about rent increasing to an unaffordable level, and struggling to pay their rent/mortgage.

- In McKinney, 11,064 households include at least one person 62 years or older, accounting for 21 percent of all households. Of those, 22 percent (2,475 households) have some type of housing need. Senior households may be less able to cope with increasing housing costs (rents for renters and property taxes for owners) as they are more likely to be living on a fixed retirement income. Most seniors desire to age in place but may need accessibility modifications as they age and may need additional support services in order to properly maintain their home and property. Many may also require transportation services and in-home health care at certain stages.

- There are 6,079 large family households (five or more members) in McKinney. CHAS data indicate that 17 percent of these households have some type of housing problem. The most common housing need is related to cost burden, but large households are also more susceptible to overcrowding (CHAS data do not provide enough detail to quantify the number of large family households that are overcrowded).

- About 1,800 McKinney households have limited English proficiency (LEP), meaning they speak English less than very well. The most common languages spoken by LEP households are Spanish (54% of all LEP households), other Indo-European languages (21%), and Asian and Pacific Island languages (15%). These households may have trouble accessing resources and/or housing-related documents in their native language. The 12 percent of households with limited English proficiency that are living in poverty are most likely to have acute housing needs.

- Based on the National Intimate Partner and Sexual Violence Survey by the CDC and ACS population estimates, about 7,391 McKinney residents (5.5% of women and 5.2% of men) experience rape, physical violence, and/or stalking by an intimate partner annually. Affordable housing for this group of residents is critical: The National Alliance to End Homelessness argues that a “strong investment in housing is crucial [to victims of domestic violence] …so that the family or woman is able to leave the shelter system as quickly as possible without returning to the abuse.” The Alliance also reports that studies on homelessness have shown a correlation between domestic violence and homelessness. Domestic violence/abuse was a common reason for experiencing homelessness among PIT count respondents.

Figure II-24.
Housing Needs Among Special Populations, McKinney

	Total Households	Current Housing Need		Projected Housing Need in 5 Years	Housing needs description
		Number	Percent	Number	
Extremely low income families	3,565	3,265	92%	4,102	<30% AMI households with a housing problem
Low income families	3,950	3,344	85%	4,201	30-50% AMI households with a housing problem
Moderate income families	6,815	4,370	64%	5,490	50-80% AMI households with a housing problem
Middle income families	5,355	2,390	45%	3,002	80-100% AMI households with a housing problem
Renters	16,749	7,070	42%	8,881	Renters with 1 or more housing problems
Owners	33,701	6,299	19%	7,913	Owners with 1 or more housing problems
Elderly Households	11,064	2,475	22%	3,109	Elderly households (member 62+) that are cost burdened
Single person households	12,075	724	6%	910	Single person households living in poverty
Large families	6,079	1,009	17%	1,268	Large families that are cost burdened
LEP households	1,842	216	12%	271	Limited English Proficiency Households in poverty
Households containing persons with disability	8,120	3,415	42%	4,290	Households with at least one member with a disability and or more housing problems
Hearing or vision impairment	3,675	1,455	40%	1,828	Hearing or vision impairment and 1 or more housing problems
Ambulatory limitation	4,120	1,715	42%	2,154	Ambulatory limitation and 1 or more housing problems
Cognitive limitation	3,055	1,355	44%	1,702	Cognitive limitation and 1 or more housing problems
Self-care or independent living limitation	3,525	1,520	43%	1,909	Self-care or independent living limitation and 1 or more housing problems
Victims of domestic violence	7,391	179	2%	225	Applies CDC estimate of % of victims annually with housing needs

Note: Needs are not additive as a single household may appear in more than one category. Five-year projections apply compound annual population growth to current estimates.

Source: 2011-2015 HUD Comprehensive Housing Affordability Strategy data, and Root Policy Research.

Gaps Analysis

To examine how well McKinney's current housing market meets the needs of its residents Root Policy Research conducted a modeling effort called a "gaps analysis." The analysis compares the supply of housing at various price points to the number of households who can afford such housing. If there are more housing units than households, the market is "oversupplying" housing at that price range. Conversely, if there are too few units, the market is "undersupplying" housing. The gaps analysis conducted for renters in McKinney addresses both rental affordability and ownership opportunities for renters who want to buy.

Gaps in the rental market. Figure II-25 compares the number of renter households in McKinney in 2018, their income levels, the maximum monthly rent they could afford without being cost burdened, and the number of units in the market that were affordable to them. The "Gap" column shows the difference between the number of renter households and the number of affordable rental units. Negative numbers indicate a shortage of units at the specific income level; positive units indicate an excess of units.

Figure II-25.
Gaps in Rental Market, McKinney, 2018

Renter Incomes	Maximum Affordable Gross Rent	Rental Demand (Current Renters)		Rental Supply (Current Units)		Gap
		Num.	Pct.	Num.	Pct.	
Less than $5,000	$125	1,438	7%	0	0%	(1,438)
$5,000 to $9,999	$250	630	3%	80	0%	(550)
$10,000 to $14,999	$375	797	4%	177	1%	(620)
$15,000 to $19,999	$500	522	2%	134	1%	(388)
$20,000 to $24,999	$625	835	4%	329	2%	(506)
$25,000 to $34,999	$875	2,142	10%	1,929	9%	(213)
$35,000 to $49,999	$1,250	2,613	12%	7,929	37%	5,316
$50,000 to $74,999	$1,875	4,433	21%	6,918	32%	2,485
$75,000+	$1,875+	7,792	37%	4,182	19%	(3,610)
Total/Low Income Gap		21,202	100%	21,677	100%	(3,716)

Rental gap of **3,716 units** affordable to households earning <$35,000

Source: 2018 1-year ACS and Root Policy Research.

The gaps analysis in Figure II-25 shows that:

- Fourteen percent of renters (about 2,800 households) living in McKinney earn less than $15,000 per year. These renters need units that cost less than $375 per month to avoid being cost burdened. Just two percent of rental units (256 units) in the city rent for less than $375/month (including subsidized rental units). This leaves a "gap," or shortage, of 2,400 units for these extremely low income households.

- About 1,250 renters earn between $15,000 and $20,000 per year. There are 297 rental units priced at their affordability range (between $375 and $500/month), leaving a shortage of about 968 units.

- Another 835 renters earn between $20,000 and $25,000 per year. There are 329 units priced in their affordability range—a shortage of 506 units.

- Altogether, the city has a shortage of about 3,700 rental units priced affordably for renters earning less than $35,000 per year. [9]

The private rental market in McKinney largely serves renters earning between $35,000 and $75,000 per year—68 percent of rental units are priced within that group's affordability range, with rents between $1,250 and $1,875 per month.

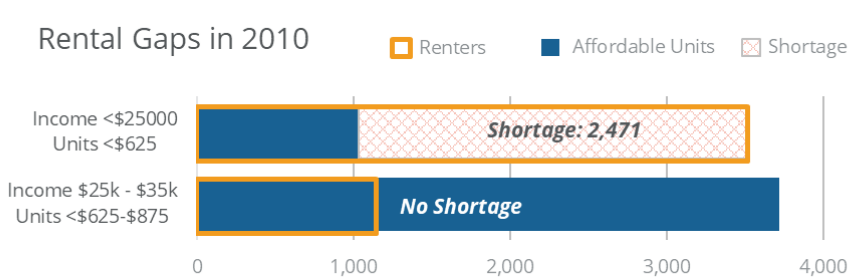
Change in the rental gaps. Figure II-26 shows rental gaps in both 2010 and 2018 to evaluate changes in market trends and needs. Rental gaps have changed significantly during the past 8 years. The gap in 2010 was 2,471 units but was limited to households earning less than $25,000. In 2018, the gap increased to 3,716 and expanded to include households earning between $25,000 and $35,000. This increase was largely due to units that had been priced between $625 and $875 sliding over into higher price brackets.

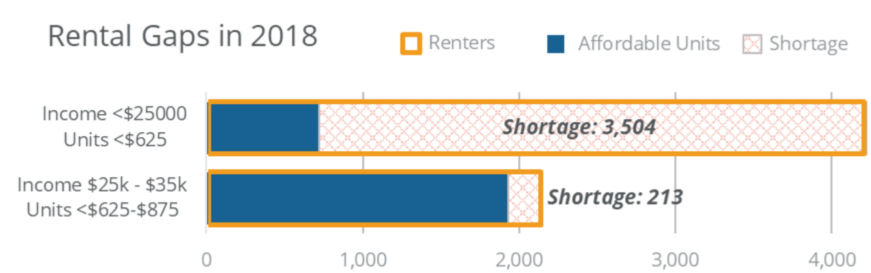
Why did the gaps increase? This shift is due to a combination of losses in affordable rentals and an increase of about 1,700 households earning less than $35,000 per year. The sizeable increase in low income households is likely partially explained by the lack of affordability in surrounding communities.

[9] The "shortage" shown in for high income renters (earning more than $75,000 per year) suggests those renters are spending less than 30 percent of their income on housing—perhaps in order to save for a down payment on a home.

Figure II-26.
Gaps in Rental Market, McKinney, 2010 and 2018

Renter Incomes	Maximum Affordable Gross Rent	2010 Rental Demand (Current Renters) Num	2010 Rental Demand (Current Renters) Pct	2010 Rental Supply (Current Units) Num	2010 Rental Supply (Current Units) Pct	2010 Gap	2018 Rental Demand (Current Renters) Num	2018 Rental Demand (Current Renters) Pct	2018 Rental Supply (Current Units) Num	2018 Rental Supply (Current Units) Pct	2018 Gap	2010-2018 Change Renters	2010-2018 Change Units	2010-2018 Change Gap
Less than $5,000	$125	1,140	9%	9	0%	(1,131)	1,438	7%	0	0%	(1,438)	298	-9	(307)
$5,000 to $9,999	$250	150	1%	91	1%	(59)	630	3%	80	0%	(550)	480	-12	(492)
$10,000 to $14,999	$375	1,011	8%	146	1%	(865)	797	4%	177	1%	(620)	-214	31	245
$15,000 to $19,999	$500	366	3%	98	1%	(268)	522	2%	134	1%	(388)	156	36	(120)
$20,000 to $24,999	$625	839	7%	691	6%	(148)	835	4%	329	2%	(506)	-4	-362	(358)
$25,000 to $34,999	$875	1,145	10%	3,719	33%	2,574	2,142	10%	1,929	9%	(213)	997	-1,790	(2,787)
$35,000 to $49,999	$1,250	3,052	25%	3,841	34%	789	2,613	12%	7,929	37%	5,316	-439	4,088	4,527
$50,000 to $74,999	$1,875	2,103	17%	2,004	18%	(99)	4,433	21%	6,918	32%	2,485	2,330	4,914	2,584
$75,000+	$1,875+	2,216	18%	774	7%	(1,442)	7,792	37%	4,182	19%	(3,610)	5,576	3,408	(2,168)
Total/Low Income Gap		12,022	100%	11,373	100%	(2,471)	21,202	100%	21,677	100%	(3,716)	9,180	10,304	(1,245)





Source: 2010 and 2018 1-year ACS

Renters who want to buy. According to the survey conducted for this study, 90 percent of renters are planning to buy homes or want to buy homes in the next five years.

On average, those renters who *plan to buy*:

- Earn between $75,000 and $150,000 per year;
- Can afford homes with a maximum price between $290,000 and $583,000 (assuming they have saved for a 10% downpayment and have relatively low consumer or student debt); and
- Are between ages 35 to 54, and over half of them are married couples with children (52%).

While renters who *want to buy* but are unsure if they will be able to:

- Earn between $35,000 and $75,000 per year;
- Can afford homes with a maximum price between $135,000 and $290,000 (assuming they have saved for a 10% downpayment and have relatively low consumer or student debt); and
- Are between ages 25 to 44, and around half are married couples but they are less likely to be married with kids (35%).

Other residents in the market to purchase homes would be those who are current owners but want to move. According to the resident survey, about one-third of McKinney homeowners want to move in the next five years and about one-half of in-commuters want to move in the next five years.

Gaps in the For-Sale Market. The gap between interest in buying and available product is demonstrated by the for-sale gaps analysis shown in Figure II-27 (on the following page). The for-sale gaps analysis was conducted to evaluate the market options affordable to renters who may wish to purchase a home in McKinney. Similar to the rental gaps analysis, the model compares renters, renter income levels, the maximum monthly housing payment they could afford, and the proportion of units in the market that were affordable to them.

The maximum affordable home prices shown in Figure II-27 assume a 30-year mortgage with a 10 percent down payment and an interest rate of 3.94 percent. The estimates also incorporate property taxes, insurance, HOA payments and utilities (assumed to collectively account for 33% of the monthly payment).

The "Renter Purchase Gap" column shows the difference between the proportion of renter households and the proportion of homes listed or sold in 2019-2020 that were affordable to them. Negative numbers indicate a shortage of units at the specific income level; positive units indicate an excess of units. It is important to note that the gaps column accounts only for units that fall precisely within the affordability range of the household.

The "cumulative gap"—which is a better measure of need—allows buyers to purchase homes that are priced at less than their affordability range. The cumulative gap calculation excludes households earning less than $25,000 per year as they are not likely to purchase homes without subsidy.

The for-sale gaps analysis shows the McKinney market to be affordable for renters earning more than $100,000 per year and manageable for renters earning between $75,000 and $100,000. Renters earning less than $75,000 per year can afford a max home price of about $290,000. Renters earning less than $75,000 account for 63 percent of renters but only 22 percent of homes were listed or sold in McKinney in 2019/2020 were priced below their affordability level (1,068 homes); 15 percent of those were attached homes. The most acute shortage is for homes listed below $195,000, affordable to households earning less than $50,000.

It is important to note that home size, condition and housing preferences are not considered in the affordability model. The model also assumes that renters are able to save for a 10 percent down payment (up to $29,000 for a household earning less than $75,000 annually).

Figure II-27.
Market Options for Renters Wanting to Buy, McKinney, 2018

Income Range	Max Affordable Home Price	Potential Demand among 1st Time Buyers (Current Renters)		For-Sale Supply (Homes Listed/Sold 2019-2020)		Renter Purchase Gap	Cumulative Gap Excluding <$25,000
		Num.	Pct.	Num.	Pct.		
Less than $25,000	$97,182	4,222	20%	3	0%	-20%	N/A
$25,000 to $34,999	$136,056	2,142	10%	5	0%	-10%	**-10%**
$35,000 to $49,999	$194,368	2,613	12%	30	1%	-12%	**-22%**
$50,000 to $74,999	$291,554	4,433	21%	1,030	21%	0%	**-22%**
$75,000 to $99,999	$388,740	2,898	14%	1,676	34%	21%	-1%
$100,000 to $149,999	$583,112	2,900	14%	1,683	34%	21%	20%
$150,000 or more	$583,112	1,994	9%	465	10%	0%	20%

Note: Maximum affordable home price is based on a 30 year mortgage with a 10 percent down payment and an interest rate of 3.94%. Property taxes, insurance, HOA and utilities are assumed to collectively account for 33% of the monthly payment.

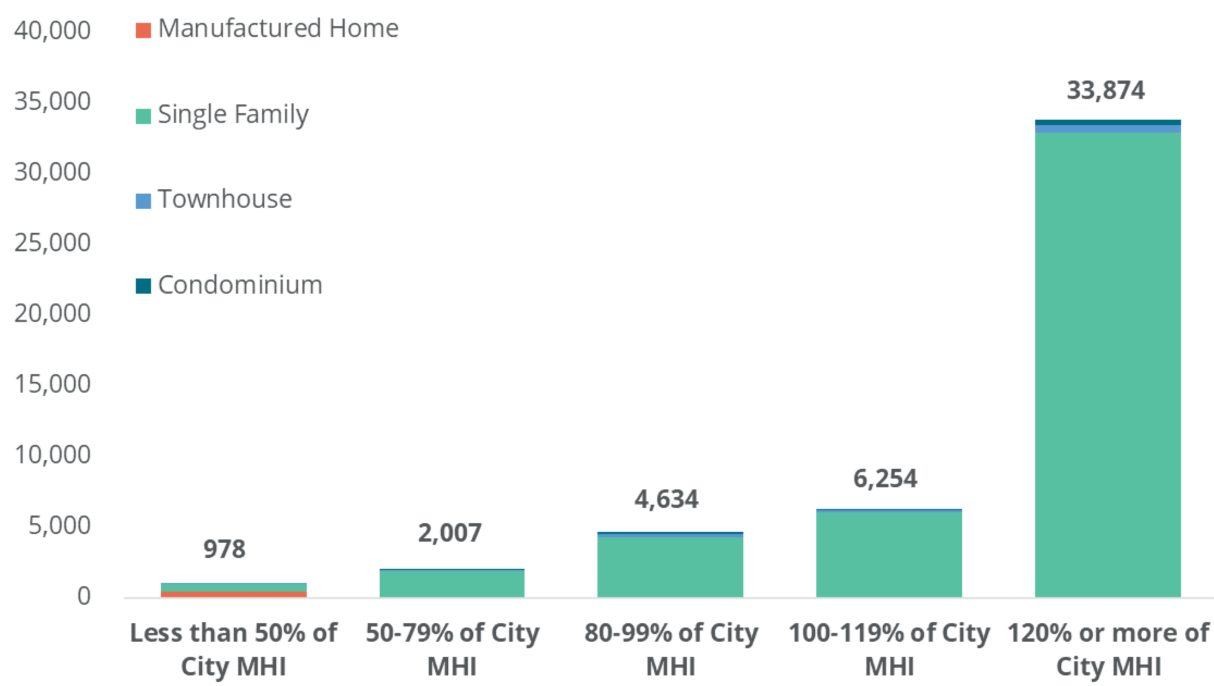
Source: 2018 1-year ACS, Redfin MLS data, and Root Policy Research.

Home values and affordability. The gaps analysis above focuses on homes that were listed or sold in McKinney in 2019 and 2020 but does not account for the home values of all owner-occupied housing stock in McKinney. According to a Housing Stock Analysis done in May of 2019 using 2017 data from the Collin County Appraisal District and conducted by the Texas A&M Real Estate Center, the housing stock is extremely limited for low income households.

Figure II-28 presents McKinney's housing stock, excluding apartments, by product type and affordability level (as a percent of median household income).[10]

As of 2017 there were only 2,985 ownership units valued at an affordable level for households earning less than 80 percent of the median household income (MHI)—4 percent of those were townhouses, 14 percent were manufactured homes, and 81 percent were single family homes. In contrast, there were 33,874 units valued at an affordable level for households earning above 120 percent of the MHI—1 percent of those were condominiums, two percent townhouses, and 97 percent single family homes.

Figure II-28.
Housing Stock by Income, McKinney, 2017



Source: Texas A&M Real Estate Center, and Root Policy Research.

Different product types are able to accommodate different income categories. While 100 percent of manufactured homes were in a value range affordable to households earning

[10] The analysis focuses on individual property ownership accounts and by definition excludes multifamily rental properties. Most properties in this analysis are owner-occupied but figures may include some products rented out by individual owners (e.g., single family homes that are rentals).

less than 80 percent of the MHI only 5 percent of single family homes were in a value range affordable for those households. Nineteen percent of townhouses and 24 percent of condominiums were in a value range affordable to households earning 80 to 100 percent of the MHI, while only 9 percent of single family homes were in the same value range.

What can Workers Afford? Figure II-29 displays affordable rental and ownership options for workers earning the average wage by industry.

Most industries have wages high enough to afford the median rent of $1,332 per month. However, a significant portion of service industries—Trade, Transportation and Utilities (17% of all workers), Education and Health Services (21% of all workers), Leisure and Hospitality (12% of all workers), as well as Other Services (3% of all workers)—cannot afford the median rent based on average wages.

None of the previous service industries can afford the median home price of $344,800. In addition, Construction workers (4% of all workers), and Public Administration workers (2% of all workers) cannot afford the median home price on a single income. These industries collectively account for 59 percent of Collin County jobs. This means that households in general require more than one worker per household in order to afford the median price.

If there are 1.5 earners per household (with both earners in the same industry), four individual industries workers will still not be able to afford the median price: Trade, Transportation and Utilities, Education and Health Services, Leisure and Hospitality, as well as Other Services. These industries collectively account for 53 percent of Collin County jobs.

Figure II-29.
Affordability for Workers by Industry, McKinney, 2018

Industry	Average Annual Wage	Max Affordable Rent	Can Afford Median Rent?	Max Affordable Home Price	Can Afford Median Home Price?	Can Afford Median Home Price with 1.5 Earners per Household?
Goods Producing	**$96,668**	**$2,417**	**yes**	**$375,791**	**yes**	**yes**
Natural Resources and Mining	$145,080	$3,627	yes	$563,989	yes	yes
Construction	$71,552	$1,789	yes	$278,154	no	yes
Manufacturing	$110,916	$2,773	yes	$431,179	yes	yes
Service Producing	**$64,803**	**$1,620**	**yes**	**$251,916**	**no**	**yes**
Trade, Transportation, and Utilities	$51,100	$1,277	no	$198,647	no	no
Information	$110,672	$2,767	yes	$430,231	yes	yes
Financial Activities	$101,865	$2,547	yes	$395,995	yes	yes
Professional and Business Services	$93,263	$2,332	yes	$362,553	yes	yes
Education and Health Services	$50,019	$1,250	no	$194,446	no	no
Leisure and Hospitality	$24,869	$622	no	$96,678	no	no
Public Administration	$71,531	$1,788	yes	$278,073	no	yes
Other Services	$39,104	$978	no	$152,014	no	no
Total Employment	**$68,352**	**$1,709**	**yes**	**$265,715**	**no**	**yes**

Note: Wage data for Collin County overall; all other data specific to McKinney. Maximum affordable home price is based on a 30-year mortgage with a 10 percent down payment and an interest rate of 3.94%. Property taxes, insurance, HOA and utilities are assumed to collectively account for 33% of the monthly payment.

Source: Bureau of Labor Statistics, 2018 1-year ACS, MLS data, and Root Policy Research.

Future Housing Need

Over the past 15 years, rents and home prices in McKinney rose faster than incomes. If that trend continues an increasing proportion of households may be priced out of the market.

Figures II-30 and II-31 show worker affordability projections by industry in McKinney for 2025 and 2030. The projections extrapolate income, median rent, and median home price growth trends over the past decade into the next decade. Projections also assume lending conditions stay the same.

- If current wage and price trends continue, workers in the Trade, Transportation and Utilities; Education and Health Services; Leisure and Hospitality; as well as Other Services will continue to find the median rent unaffordable based on average wages, but no additional industries will be priced out of the rental market.
- However, Professional and Business services workers will no longer be able to afford the median priced home in McKinney by 2025.
- By 2030, only workers in three industries—Natural Resources and Mining, Manufacturing, and Financial Activities—will be able to afford the median home price. Given that these industries represent a small share of employment in McKinney, the average worker will not afford the median home price even if there are 1.5 earners per household (with both earners in the same industry) by 2030.
- Compared to national trends, McKinney will be less affordable for the average worker. According to current trend projections, the average worker in the U.S. will be still be able to afford the median rent and home price in 2025 and 2030.

Figure II-30.
Affordability Projections for Workers by Industry, McKinney, 2025

Industry	Projected Average Annual Wage	Projected Max Affordable Rent	Can Afford Projected Median Rent?	Projected Max Affordable Home Price	Can Afford Projected Median Home Price?	Can Afford Projected Median Home Price with 1.5 Earners per Household?
Goods Producing	**$117,599**	**$2,940**	**yes**	**$457,157**	**yes**	**yes**
Natural Resources and Mining	$214,218	$5,355	yes	$832,760	yes	yes
Construction	$85,424	$2,136	yes	$332,079	no	yes
Manufacturing	$136,931	$3,423	yes	$532,310	yes	yes
Service Producing	**$76,188**	**$1,905**	**yes**	**$296,174**	**no**	**yes**
Trade, Transportation, and Utilities	$57,743	$1,444	no	$224,471	no	no
Information	$124,524	$3,113	yes	$484,077	yes	yes
Financial Activities	$134,927	$3,373	yes	$524,520	yes	yes
Professional and Business Services	$111,301	$2,783	yes	$432,676	no	yes
Education and Health Services	$55,043	$1,376	no	$213,977	no	no
Leisure and Hospitality	$32,038	$801	no	$124,545	no	no
Public Administration	$83,818	$2,095	yes	$325,837	no	yes
Other Services	$41,736	$1,043	no	$162,246	no	no
Total Employment	**$80,527**	**$2,013**	**yes**	**$313,044**	**no**	**yes**

Note: Wage data for Collin County overall; all other data specific to McKinney. Maximum affordable home price is based on a 30-year mortgage with a 10 percent down payment and an interest rate of 3.94%. Property taxes, insurance, HOA and utilities are assumed to collectively account for 33% of the monthly payment.

Source: Bureau of Labor Statistics, 2018 1-year ACS, MLS data, and Root Policy Research.

Figure II-31.
Affordability Projections for Workers by Industry, McKinney, 2030

Industry	Projected Average Annual Wage	Projected Max Affordable Rent	Can Afford Projected Median Rent?	Projected Max Affordable Home Price	Can Afford Projected Median Home Price?	Can Afford Projected Median Home Price with 1.5 Earners per Household?
Goods Producing	**$138,463**	**$3,462**	**yes**	**$538,268**	**no**	**yes**
Natural Resources and Mining	$296,413	$7,410	yes	$1,152,288	yes	yes
Construction	$99,017	$2,475	yes	$384,922	no	yes
Manufacturing	$163,214	$4,080	yes	$634,483	yes	yes
Service Producing	**$87,189**	**$2,180**	**yes**	**$338,940**	**no**	**no**
Trade, Transportation, and Utilities	$63,933	$1,598	no	$248,537	no	no
Information	$137,382	$3,435	yes	$534,063	no	yes
Financial Activities	$170,540	$4,263	yes	$662,963	yes	yes
Professional and Business Services	$128,971	$3,224	yes	$501,368	no	yes
Education and Health Services	$59,613	$1,490	no	$231,743	no	no
Leisure and Hospitality	$39,567	$989	no	$153,814	no	no
Public Administration	$95,654	$2,391	yes	$371,850	no	yes
Other Services	$44,064	$1,102	no	$171,296	no	no
Total Employment	**$92,314**	**$2,308**	**yes**	**$358,864**	**no**	**no**

Note: Wage data for Collin County overall; all other data specific to McKinney. Maximum affordable home price is based on a 30-year mortgage with a 10 percent down payment and an interest rate of 3.94%. Property taxes, insurance, HOA and utilities are assumed to collectively account for 33% of the monthly payment.

Source: Bureau of Labor Statistics, 2018 1-year ACS, MLS data, and Root Policy Research.

Workforce growth. According to the latest Bureau of Labor Statistics employment projections, industries that are forecasted to experience the fastest growth over the next decade are at the bottom of the income distribution. Figure II-32 presents the number of workers that will be added to the McKinney economy according to the employment growth predictions (holding McKinney's share of Collin County workers fixed).

The Education and Health Services, and Leisure and Hospitality industries will add over 5,000 workers by 2030. According to estimates shown in Figure II-31, workers in these industries some of have the lowest average wages and will continue to find the median gross rent and median home price unaffordable.

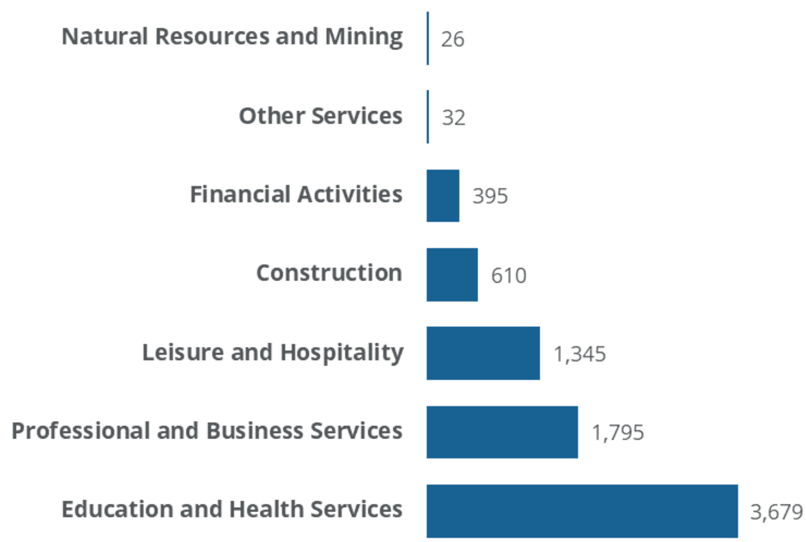
Figure II-32.
Projection of Workers Added by Industry, McKinney, 2030

Note:

Estimates hold McKinney's 2018 share of Collin County workers fixed.

Source:

Bureau of Labor Statistics, 2018 1-year ACS, and Root Policy Research.



Housing the future workforce. Figure II-33 shows the number of housing units the City of McKinney would have to add in order to house additional workers in 2025 and 2030. The estimates assume that homeownership rates by income brackets are the same as 2018 rates and lending conditions stay the same. Furthermore, these estimates assume rental gaps and ownership gaps are held constant—in other words, the estimates only address needs created by workforce growth. According to these estimates:

- By 2025, McKinney will need to add 406 rental units priced below $875 a month and 361 owner units priced below $136,000 to house the increase in workers with earnings between $25,000 and $35,000. To house additional workers earning between $75,000 and $100,000, the city needs to add 894 rental units priced below $1,875 per month and 1,177 owner units priced below $291,000.

- By 2030, McKinney will need to have added 643 rental units priced below $1,250 a month and 734 owner units priced below $194,000 to house the increase in workers with earnings between $35,000 and $50,000. To house additional workers earning between $75,000 and $100,000, the city needs to add 1,588 rental units priced below $1,875 per month and 2,091 owner units priced below $291,000.

- If the city desires to address future workforce needs as well as balance the existing gaps, an extra 3,700 units priced for renters earning less than $35,000 would have to be added.

Figure II-33.
Projected Workforce Housing Need, McKinney, 2025 and 2030

Worker Income	Maximum Affordable Home Price	Maximum Affordable Gross Rent	2025				2030			
			Workers Added		Housing Units Needed		Workers Added		Housing Units Needed	
			Number	Percent	Renter Units	Owner Units	Number	Percent	Renter Units	Owner Units
Less than $35,000	$136,056	$875	767	18%	406	361	0	0%	0	0
$35,000 to $49,999	$194,368	$1,250	19	0%	9	10	1,377	18%	643	734
$50,000 to $74,999	$291,554	$1,875	2,071	49%	894	1,177	3,679	49%	1,588	2,091
$75,000 to $99,999	$388,740	$2,500	318	8%	113	204	561	8%	200	361
$100,000 to $149,999	$583,112	$3,750	1,043	25%	216	827	1,795	24%	372	1,423
$150,000 or more	$583,112+	$3,750+	15	0%	2	13	62	1%	8	54

Note: Estimates hold ownership rates at income bracket fixed at 2018 levels. Maximum affordable home price is based on a 30-year mortgage with a 10 percent down payment and an interest rate of 3.94%. Property taxes, insurance, HOA and utilities are assumed to collectively account for 33% of the monthly payment. Housing prices and rents shown in 2018 dollars.

Source: Bureau of Labor Statistics, 2018 1-year ACS, and Root Policy Research.

SECTION III.

COMMUNITY INPUT

SECTION III. Community Input

The public input process was designed to understand the housing choices and preferences of people who live or work in the City of McKinney. This section describes the findings from the public participation component of the housing study. The first part describes the community engagement process, followed by findings from the resident survey and concluding with a summary of focus groups' findings.

Community Participation Opportunities

The City of McKinney's housing study survey and focus groups provided opportunities for community participation and collected data about the housing market and resident housing preferences. A total of 1,645 regional residents participated in the survey, 90 of those were in-commuters.

Survey. The survey was available in English and Spanish, online and in a postage-paid mail format. City of McKinney staff reviewed the draft survey instrument. The survey gathered information about residents' housing choices and experiences, future housing choice, opinions about McKinney's housing spectrum, demographic and socioeconomic characteristics, and COVID-19 impacts.

Sampling note. Responses to the survey derived from convenience sampling and snowball sampling methods. Convenience sampling refers to promoting the survey to known individuals or organizations through direct contact (e.g., email invitation) or public relations and social media. Snowball sampling is when a respondent to the survey promotes the survey to their peers or social networks (e.g., sharing the survey link by email or social media). While not drawn from a random sampling strategy, important insights and themes can still be gained from the survey results however, with an understanding of the differences of the sample from the larger population.

Figure III-1 presents selected characteristics of the survey respondents by segment—McKinney residents and in-commuters.

Focus groups. In addition to the surveys, the study team moderated three focus groups with key stakeholder segments—social service providers, and housing developers. Participating organizations included developers/construction firms; housing providers; organizations providing social services to low income residents, families, and seniors; and representatives of Collin College and McKinney ISD.

Figure III-1.
Survey Respondent Characteristics

Resident Survey Sample Sizes	McKinney Residents	In-Commuters
Total Responses	**1,555**	**90**
Household Composition		
Households with children	557	24
Large families	167	8
Households with a member with a disability	204	10
Race/Ethnicity		
Hispanic	75	5
African American	51	6
Other Non-Hispanic Minority	102	2
Non-Hispanic White	895	35
Tenure		
Homeowner	1,284	61
Renter	215	15
Precariously housed	33	5
Age		
Under 40	237	17
Ages 40-60	569	21
Age 60+	219	9
Household Income		
< $35,000	57	5
$35,000 - $75,000	159	7
$75,000 - $150,000	482	22
$150,000+	401	14
Zip Code		
75069	176	-
75070	386	-
75071	487	-
75072	475	-

Note: n=1,645. Precariously housed respondents are those living with others but not paying rent, not on a lease or deed, "couch surfing", or homeless. Numbers may not add to total responses due non-responses by residents.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

Current Housing Choice

Determining where to live within a community is a complex function of personal and household preferences, income, cost of housing, credit history, market availability of desired housing types across neighborhoods, and more.

Note that the survey data for McKinney residents exclude in-commuters for all other categories—for example, when referring to homeowners and renters only residents who live in McKinney are included.

Most important factor in choosing current home. When asked to identify the factors most important in choosing their current home, McKinney residents prized their neighborhood and affordability, type of home, proximity to schools, and safety. As shown in Figure III-2, the five factors most important to choosing their current home for the greatest proportion of McKinney's residents differ from the top five factors among in-commuters, and renters have slightly different preferences than owners.

- In-commuters place a greater importance on having a large yard, a quiet area, and the number of bedrooms/size of home than McKinney residents.
- Renters place a greater importance on being close to job opportunities, being able to have pets, and the number of bedrooms/size of home than homeowners.

Figure III-2.
Top 3 Most Important Factors in Choosing Current Home, Residents, In-Commuters, Owners, and Renters.

TOP 5 MOST IMPORTANT FACTORS IN CHOOSING CURRENT HOME				
	McKinney n=1,517	In-commuters n=77	Owners n=1,272	Renters n=210
1	Liked the neighborhood	Cost/I could afford it	Liked the neighborhood	Cost/I could afford it
2	Cost/I could afford it	Type of home/layout of home	Type of home/layout of home	Close to work/job opportunities
3	Type of home/layout of home	Large yard/size of yard	Cost/I could afford it	Liked the neighborhood
4	Close to quality/desirable K-12 schools/school district	Quiet area	Close to quality/desirable K-12 schools/school district	Allow pets/dogs
5	Low crime rate/safe	Number of bedrooms/size of apartment or home	Low crime rate/safe	Number of bedrooms/size of apartment or home

Source: Root Policy Research from the 2020 McKinney Housing Survey.

Housing condition. Survey respondents rated their current home's condition as poor, fair, good, or excellent. Figure III-3 presents the proportion of residents who consider their home to be in *fair* or *poor* condition. As shown, this assessment ranges widely, and much of the difference is by tenure, income, and Zip code.

- Overall, only 5 percent of McKinney residents rated the condition of their home as fair or poor—a reflection of McKinney's relatively new housing stock. There are no major differences among age groups.

- Renters are over 5 times more likely than owners to rate the condition of their home as fair or poor (16% v. 3%);

- Households with income below $35,000 are the most likely to rate the condition of their home as fair or poor (28%); and

- Households living in the older part of the McKinney (Zip 75069) are around 3 times more likely to rate the condition of their home as fair or poor (15% v. 5%).

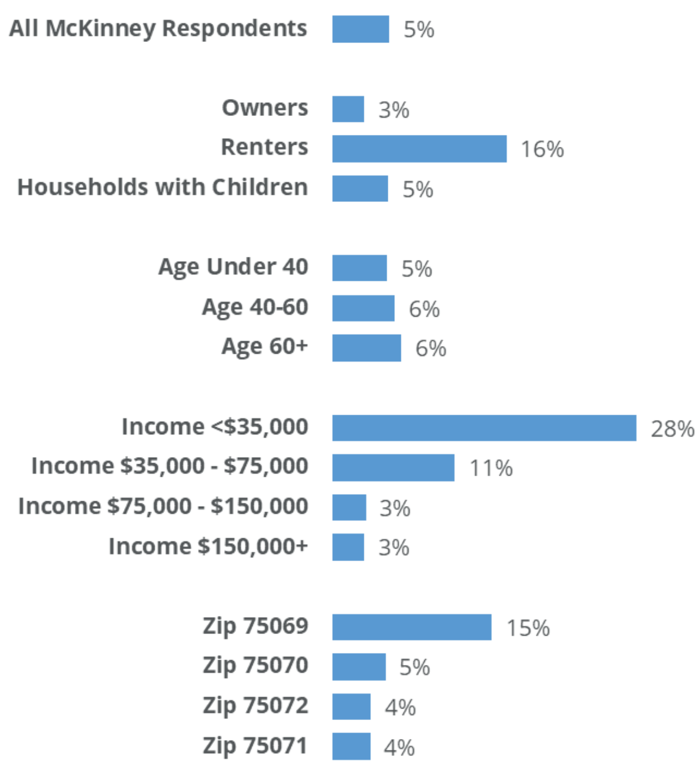
Figure III-3. Percent Rating Their Home in *Fair* or *Poor* Condition

Note:

N=1,445.

Source:

Root Policy Research from the 2020 McKinney Housing Survey.



Repair needs. Nearly all (86%) of respondents who rated their home's condition fair or poor, said their home needs repairs.

When asked to identify the **most important repair** needed for their home, most common needs of **homeowners** are:

- Interior walls/ceilings;

- Windows;

- Roof; and

- A/C or cooling system.

The most common **repair needs of renters** are:

- Bathroom plumbing;
- Flooring;
- Windows; and
- Weatherization.

When asked why these important repairs have not yet been made:

- Eighty-five percent of homeowners cannot afford to make the repair; and
- Forty percent of renters say their landlord refuses to make repairs.

Accessible housing. Overall, 17 percent of McKinney resident respondents have a disability or a member of their household has a disability. The majority of respondents with disabilities also have accessibility needs in the home; over 90 percent of households that include a member with a disability also have accessibility needs in the home. One in six McKinney residents with disabilities and in-home accessibility needs (16%) live in housing that does not meet their accessibility needs. Among the residents whose homes need accessibility modifications, the three most common modifications needed are:

- Stair lifts;
- Grab bars in bathroom; and
- Wider doorways.

When asked if they thought they would be able to find a home in McKinney that meets the household's accessibility needs if they were to move, the majority (57%) responded "yes."

Housing costs. Figure III-4 presents median monthly housing costs by number of years in current home for McKinney renters and homeowners and compares them to in-commuters. With respect to homeowners, the median monthly mortgage of $1,900 is higher than housing costs (rent or mortgage) paid by in-commuters. Monthly utility costs are comparable for homeowners and in-commuters and are significantly lower for renters.

Long-time owners and renters in McKinney pay less than tenants who moved into a unit in the past year. The median monthly rent of residents who leased in the past year ($1,675) is $75 or 5 percent higher than those who signed a lease at least one year ago.

Figure III-4.

Median Housing Costs by Tenure and Number of Years in the Home, McKinney Residents and In-commuters

	Homeowners		Renters		In-commuters	
	Median Mortgage	Median Utilities	Median Rent	Median Utilities	Median Cost	Median Utilities
Number of years in current home						
Less than 1 year	$2,300	$445	$1,675	$250	$1,900	$440
1 year up to 5 years	$2,200	$435	$1,600	$300	$1,600	$340
5 years up to 10 years	$1,800	$440	$1,510	$370	$1,500	$545
10 years or more	$1,500	$430	$1,400	$380	$1,100	$340
Overall	**$1,900**	**$435**	**$1,575**	**$300**	**$1,515**	**$420**

Note: n=1,249, utilities include internet and HOA fees, median cost for in-commuters includes mortgage or rent costs.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

Living with others due to lack of housing. Overall, 8 percent of McKinney residents—7 percent of homeowners and 11 percent of renters—who participated in the survey have a friend or family member living with them due to a lack of housing in McKinney that meets their needs (affordability or otherwise).

When asked why, 44 percent responded that they "cannot afford the monthly rent of the places that are available to rent in McKinney," 15 percent cited "personal/family reasons," and another 10 percent indicated it was "due to difficulties associated with the COVID-19/Coronavirus."

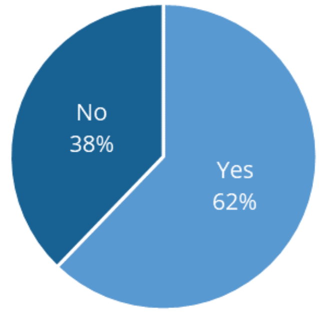
Displacement vulnerabilities. In the past five years, 11 percent of McKinney renters experienced involuntary displacement—having to move from a home when they did not want to move. The majority (52%) had to move for personal reasons including divorce, relationship changes, conflict with landlords; and another 24 percent were displaced due to rent increases.

In-commuter preferences. Around one in thee in-commuters who participated in the survey have worked in McKinney for over a year, and two in five have worked in McKinney for 5 or more years. As shown in Figure III-5, almost two thirds of in-commuters (62%) considered living in McKinney when they were in the process of choosing their current housing.

Figure III-5.
When you bought or rented your current residence, did you consider living in McKinney?

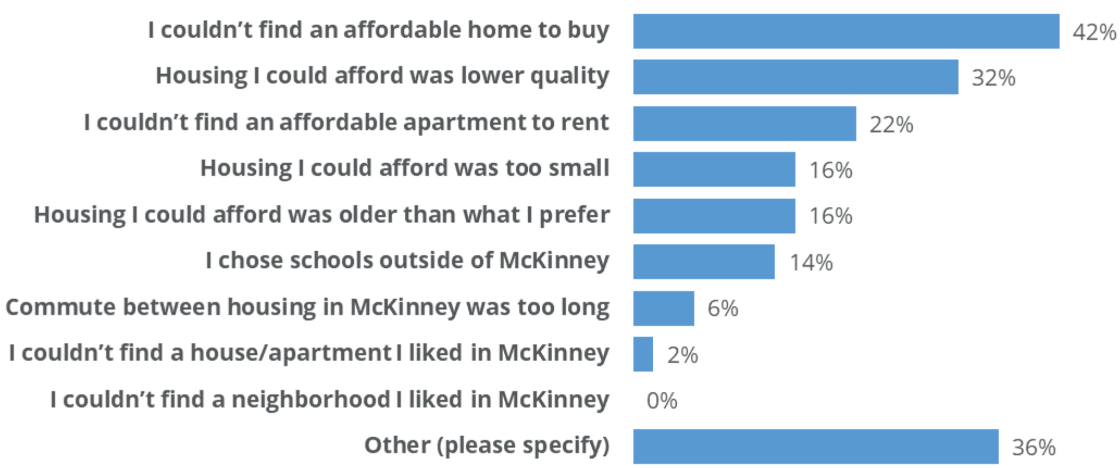
Note:
n=82.

Source:
Root Policy Research from the 2020 McKinney Housing Survey.



Among in-commuters who considered McKinney, two in five chose to live elsewhere because they "couldn't find an affordable home to buy" and one in three cited "housing I could afford was lower quality and/or needed repairs/improvements." In addition to the options shown in Figure III-6, a number of in-commuters shared other reasons which indicated preferences for a more rural area with more land/space.

Figure III-6.
If yes, what were the reasons you chose not to live in McKinney?

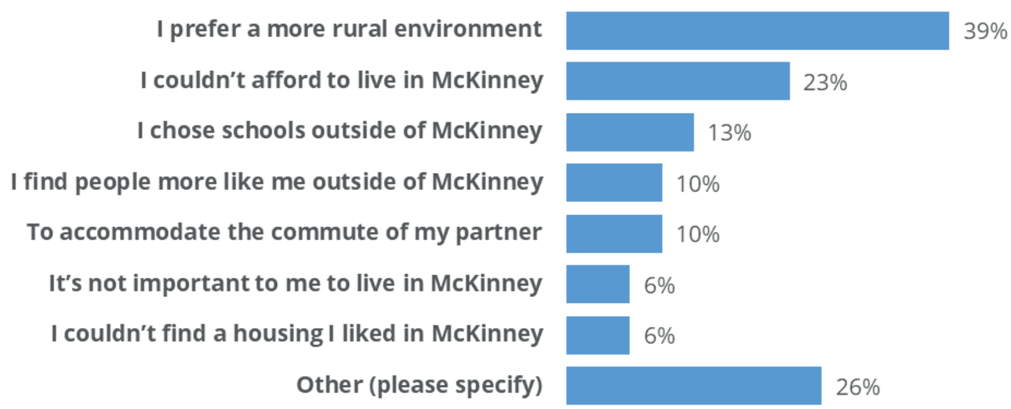


Note: n=50.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

In-commuters who did not consider McKinney also show a preference for a more rural environment, this was the most cited reason why in-commuters did not consider living in McKinney (39%), as shown in Figure III-7. Another one in five (23%), indicated they could not afford to live in McKinney. Other reasons cited y respondents included less job opportunities in the area, and a preference for a more urban environment.

Figure III-7.
If no, why did you not consider living in McKinney?



Note: n=31.

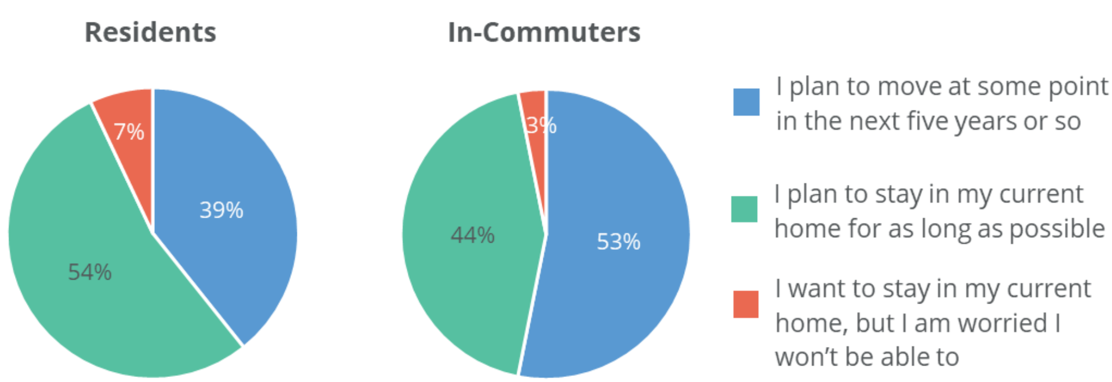
Source: Root Policy Research from the 2020 McKinney Housing Survey.

Future Housing Plans

The resident survey included a section asking respondents about their future housing plans.

Desire to move. McKinney residents are more likely than in-commuters to plan to stay in their home as long as possible (54% v. 44%). However, they are also more likely to be worried they won't be able to stay in their current home than in-commuters (7% v. 3%).

Figure III-8.
Percent of Respondents Planning to Move in the Next Five Years



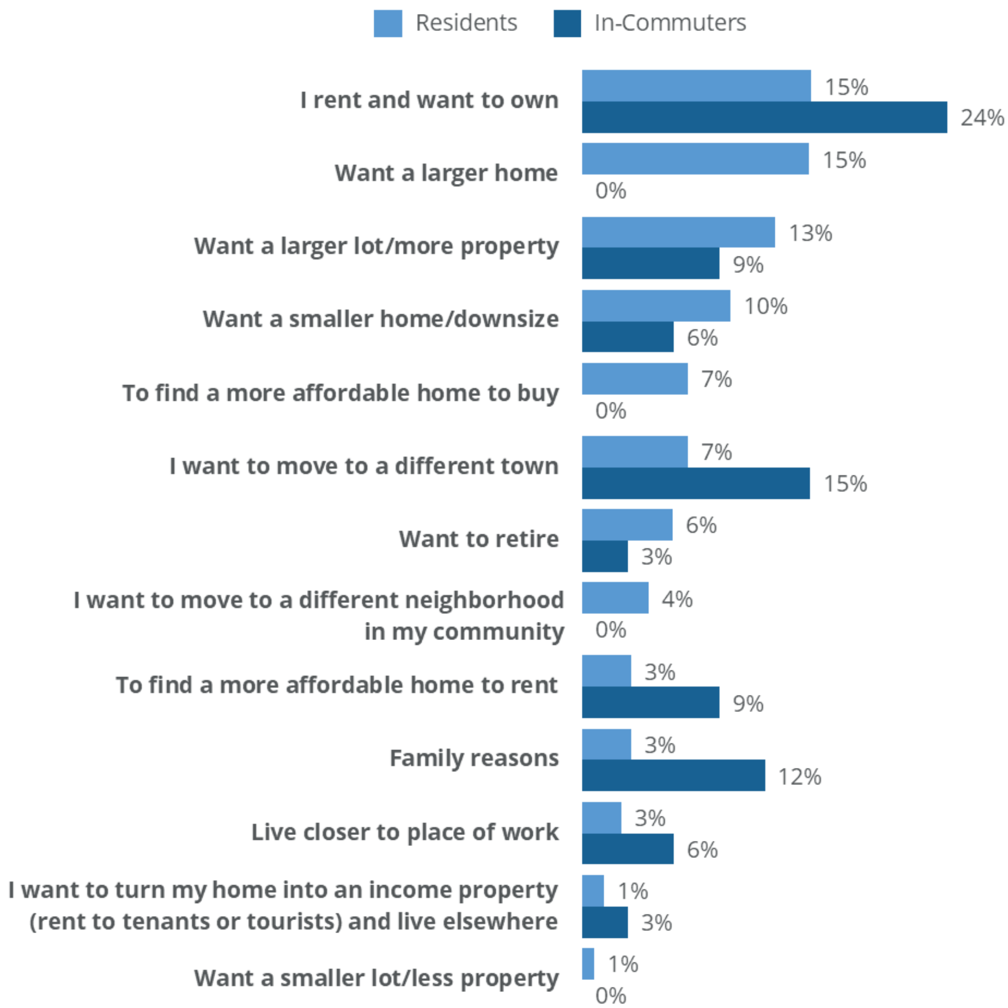
Note: n=1,327.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

Reasons for wanting to move. Figure III-9 presents the top five reasons why residents and in-commuters who plan to move want to move. The greatest proportion of both

McKinney residents and in-commuters want to move in order to become homeowners. McKinney residents also want a bigger home/property while in-commuters are interested in moving to a different town.

Figure III-9.
What is the primary reason you plan to move in the future?



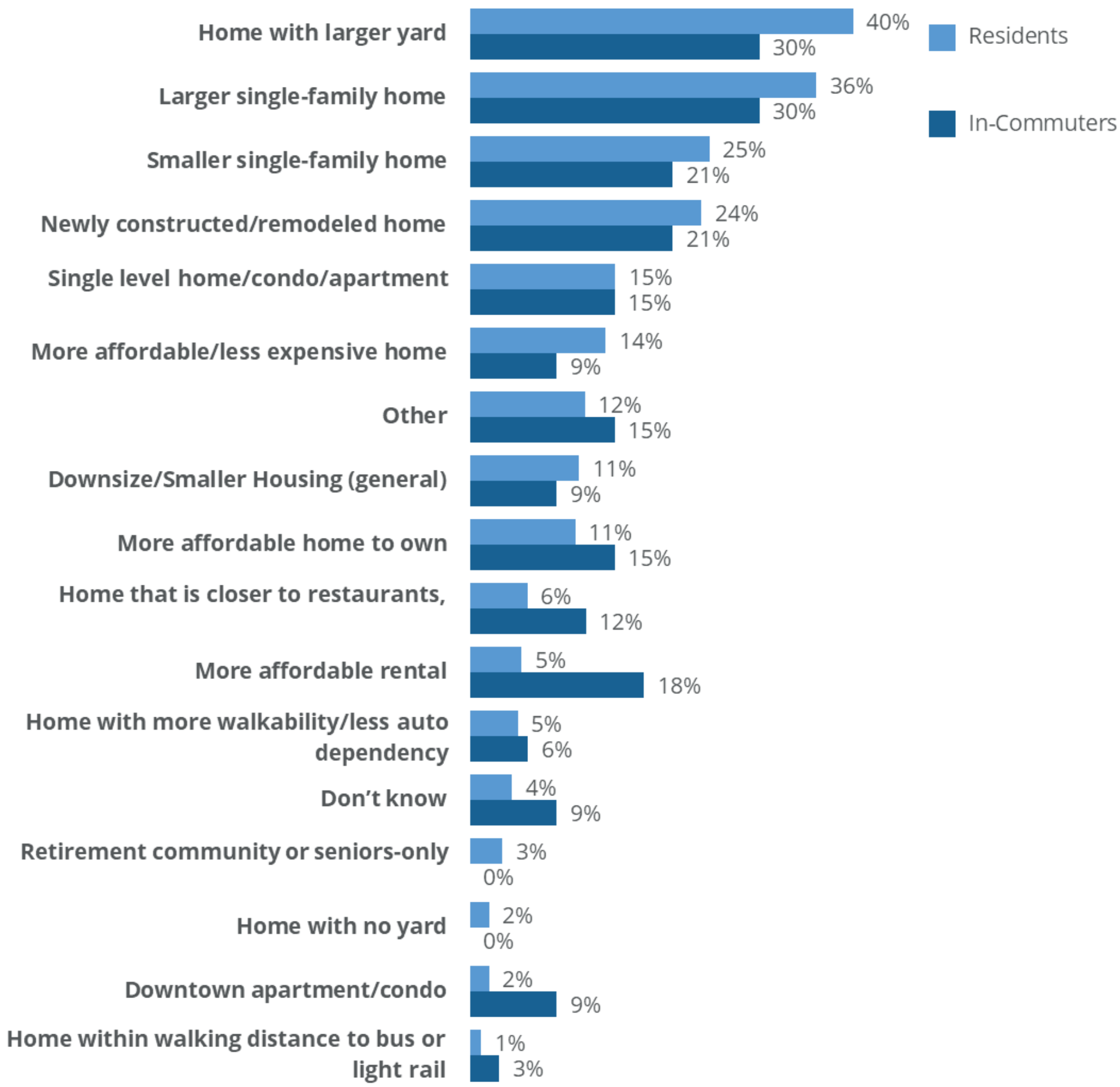
Note: n=532.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

Figure III-10 shows the type of housing movers are planning to move to. Preferences are varied, while homes with larger yard and larger homes seen to be more popular among both McKinney residents and in-commuters, there is demand for smaller homes and more affordable homes, as well as newly built and single level housing.

Figure III-10.

What type of housing do you plan to move to?



Note: n=532.

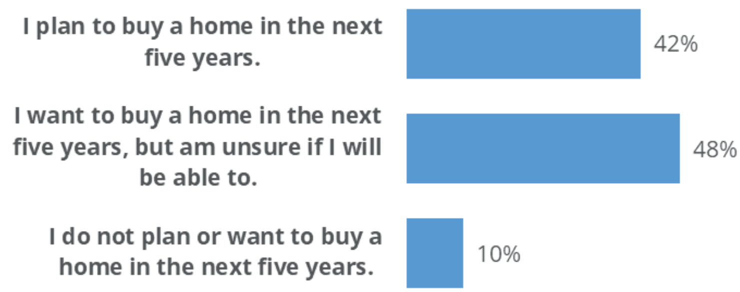
Source: Root Policy Research from the 2020 McKinney Housing Survey.

Want to buy—resident renters. Among McKinney renters, two in five plan to buy a home in the next five years (42%), and half would like to buy a home but are unsure they will be able to (48%).

Figure III-11.
Which of the following is most true for you? McKinney Renters

Note:
n=159.

Source:
Root Policy Research from the 2020 McKinney Housing Survey.



Reasons prospective buyers continue to rent. When asked why they continue to rent when they want to buy, housing not being affordable where they want to live and lack of a down payment are the top reasons identified by one in four renters respectively. Too much debt is a factor for about 15 percent of renters who want to buy.

Characteristics of prospective buyers. Figure III-12 presents the demographic and socioeconomic characteristics of McKinney renters who would like to buy a home in the next five years. It's not surprising that those planning to buy in the next five years tend to be older, have a higher income, and are more likely to live with a spouse/partner than those who want to buy but are unsure they will be able to.

Figure III-12. Characteristics of Prospective Homebuyers (Planning to Buy or Want to Buy)

Note:
N=143.

Source:
Root Policy Research from the 2020 McKinney Housing Survey.

Prospective Buyer Characteristics	Plan to Buy	Want to Buy
Age		
18 to 24	2%	9%
25 to 34	24%	27%
35 to 44	31%	35%
45 to 54	33%	16%
55 to 64	8%	10%
64 to 74	1%	3%
Race/Ethnicity		
Hispanic	14%	12%
African American	13%	10%
Other Non-Hispanic Minority	8%	8%
Non-Hispanic White	65%	70%
Children under 18		
Yes	53%	47%
No	47%	53%
Household Income		
< $35,000	4%	15%
$35,000 - $75,000	27%	55%
$75,000 - $150,000	49%	25%
$150,000+	20%	5%
Household composition		
Live alone	11%	19%
Live with roommates	0%	3%
Live with spouse/partner	29%	21%
Live with spouse/partner and children	52%	35%

Housing Challenges

The resident survey included a section asking respondents about housing and neighborhood challenges they face. The figures in this section present challenges comparatively through percentages and color coding.

The figures show percentages for the region in gray as a benchmark. The color coding indicates:

- Blue—lower (doing better) than respondents overall, and
- Red—higher (doing worse) than respondents overall.

Figure III-13 displays the percent of respondents who indicated facing different housing challenges by tenure, and income.

- Fifteen percent of owners struggle to pay property taxes.
- Renters and households with income below $35,000 are more likely to face housing challenges.
- Over half of renters (55%) worry about rent increasing to an unaffordable level, and one in five (22%) struggles to pay the rent.
- One in three households with income below $35,000 (29%) struggles to pay property taxes and one in four (25%) struggle to pay rent or is worried about rent increasing to an unaffordable level. One in three (33%) households with income between $35,000 to $75,000 worries about rent increasing to an unaffordable level.

Figure III-13.
Do you face any of these challenges in your housing situation?, by Tenure and Income

	All McKinney respondents	Owners	Renter	Income <$35,000	Income $35,000 - $75,000	Income $75,000 - $150,000	Income $150,000+
My home isn't big enough for my family members	6%	4%	15%	11%	11%	6%	2%
I have a mobility disability and can't find an accessible place to live	0%	0%	1%	2%	0%	0%	0%
I struggle to pay my rent/mortgage	7%	4%	22%	25%	17%	6%	2%
I struggle to pay my utilities	5%	3%	16%	20%	16%	3%	1%
I need help taking care of myself/my home and can't find or afford to hire someone	2%	1%	3%	7%	3%	1%	1%
I worry about my rent going up to an amount I can't afford	9%	0%	55%	25%	33%	5%	0%
I'm worried about my home going into foreclosure	2%	2%	0%	7%	2%	2%	1%
I am afraid I may get evicted or kicked out	2%	0%	7%	13%	3%	1%	0%
I struggle to pay my property taxes	13%	15%	1%	29%	11%	15%	8%
I struggle to pay my Homeowners' Association (HOA) dues/fees or assessments	4%	5%	1%	13%	4%	6%	2%
I want to get my own place/live with fewer people, but I can't afford it	4%	0%	16%	14%	11%	3%	1%
I have Section 8 or a housing choice voucher and I am worried my landlord will stop accepting it	0%	0%	1%	4%	0%	0%	0%
I worry that if I request a repair it will result in a rent increase	3%	0%	16%	9%	6%	2%	1%

Note: n=1,301.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

Figure III-14 displays the percent of respondents who indicates facing different neighborhood challenges by tenure and Zip code.

- Renters and households in Zip code 75069 are more likely to face most neighborhood challenges.
- Renters are twice as likely to be concerned about safety and access to safe place for children as McKinney residents overall.
- One third of households in Zip code 75069 (34%) indicated "there are inadequate sidewalks, street lights, drainage, or other infrastructure in my neighborhood" and one in five (21%) indicated there is "too much traffic/too much street/highway noise." These households are also more likely to be concerned about safety, and access to jobs and grocery stores.

Figure III-14.
Do you face any of these challenges in your neighborhood?

	All McKinney respondents	Owners	Renters	Zip 75069	Zip 75070	Zip 75071	Zip 75072
I am concerned about my or my family's safety in my current neighborhood	7%	6%	14%	17%	13%	3%	2%
Too much traffic/too much street/highway noise	16%	16%	16%	21%	16%	15%	15%
Not enough job opportunities in the area	7%	6%	11%	12%	5%	7%	7%
I need to be closer to health care/medical facilities	0%	0%	1%	1%	1%	0%	0%
No or few grocery stores/healthy food stores in the area	4%	4%	6%	17%	3%	2%	2%
There are inadequate sidewalks, street lights, drainage, or other infrastructure in my neighborhood	12%	11%	13%	34%	10%	8%	8%
My neighborhood does not have safe places for children to play outside	6%	5%	13%	14%	6%	7%	3%

Note: n=1,287.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

McKinney's Housing Spectrum

To understand residents' preferences for the composition of McKinney's housing supply across housing types as well as housing products and affordability for different types of households, the survey posed two key questions. The first asked residents to rate the importance to them personally that the housing supply included housing for different types of residents. The second asked where different types of housing products would be appropriate in McKinney (if at all).

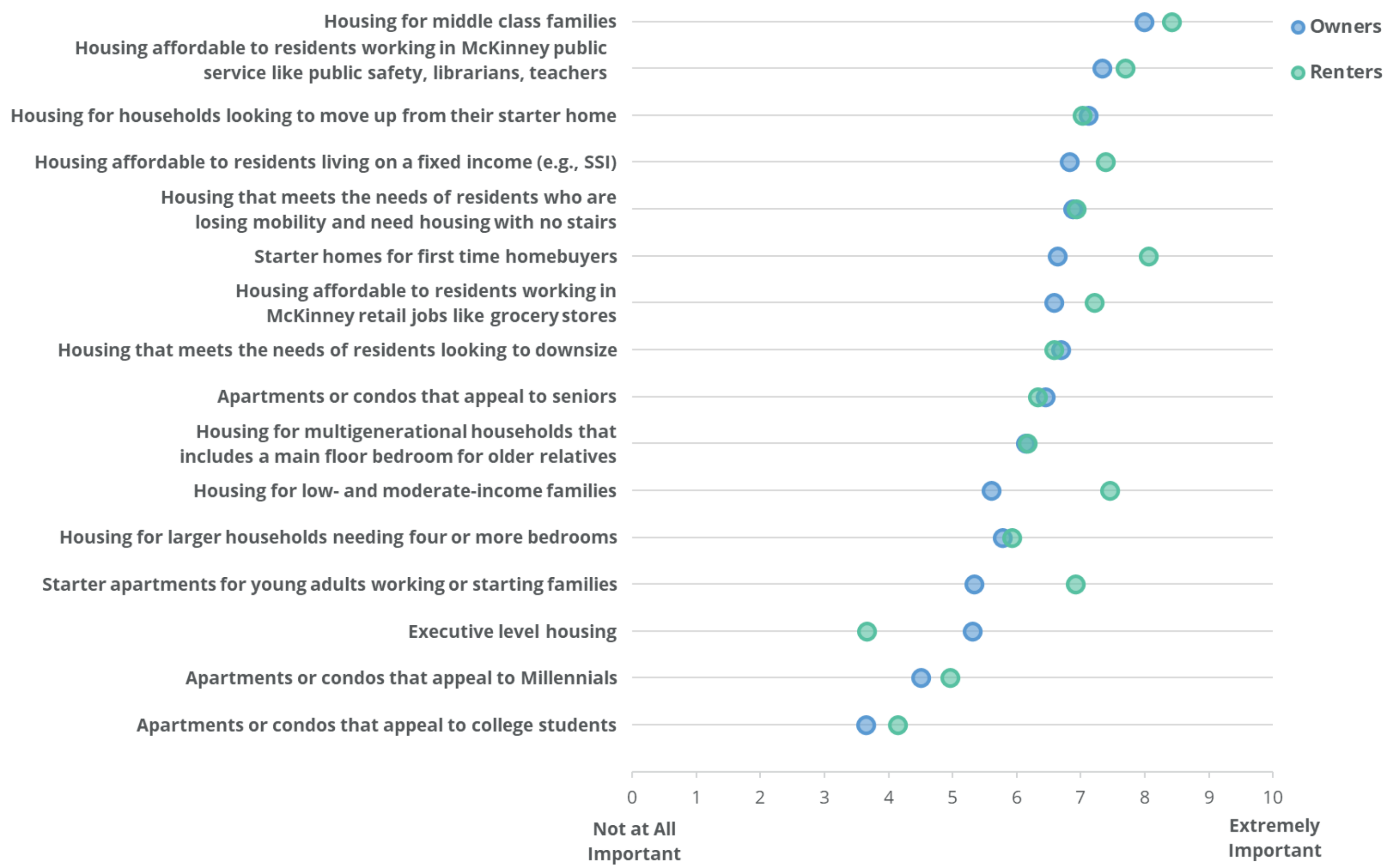
Composition of McKinney's housing supply. Residents rated the importance to them that McKinney's housing supply included housing that would appeal to or be suitable for a number of different types of households. Figures III-15 through III-18 presents those ratings; higher values indicate higher average importance.

The ratings reflect the importance to residents that the McKinney housing stock be a true mix of housing types accommodating the preferences and incomes of a diversity of residents and households. As shown, McKinney residents believe it is very important that there is a place for middle class families, public servants, households looking to move up from their starter home, residents living on fixed incomes, residents with accessibility needs, first-time homebuyers, and the retail workforce. In general, the ratings are remarkably consistent across different segments of the McKinney community, especially among the six most highly rated housing types, with minor differences based on tenure, income, age, and zip code.

The housing types in the figures are ordered from the average highest importance rating to the lowest.

- Overall, McKinney residents rank the importance of executive level housing, apartments or condos that appeal to millennials, and student housing lower than housing targeted to other groups.
- As expected, renters rank starter homes for homebuyers, housing for low and moderate income families, and starter apartments for young adults working or starting families higher than owners (Figure III-15).
- Lower income households tend to rank all housing categories as more important than do higher income households, except for executive housing (Figure III-16).
- As shown in Figure III-17 preferences by age vary along with life cycle preferences.
- Figure III-18 shows households in Zip code 75069 the importance of most housing type slightly higher than other areas of McKinney, expect for housing for households looking to move up from their starter homes, households looking to downsize, housing for larger households, and executive housing.

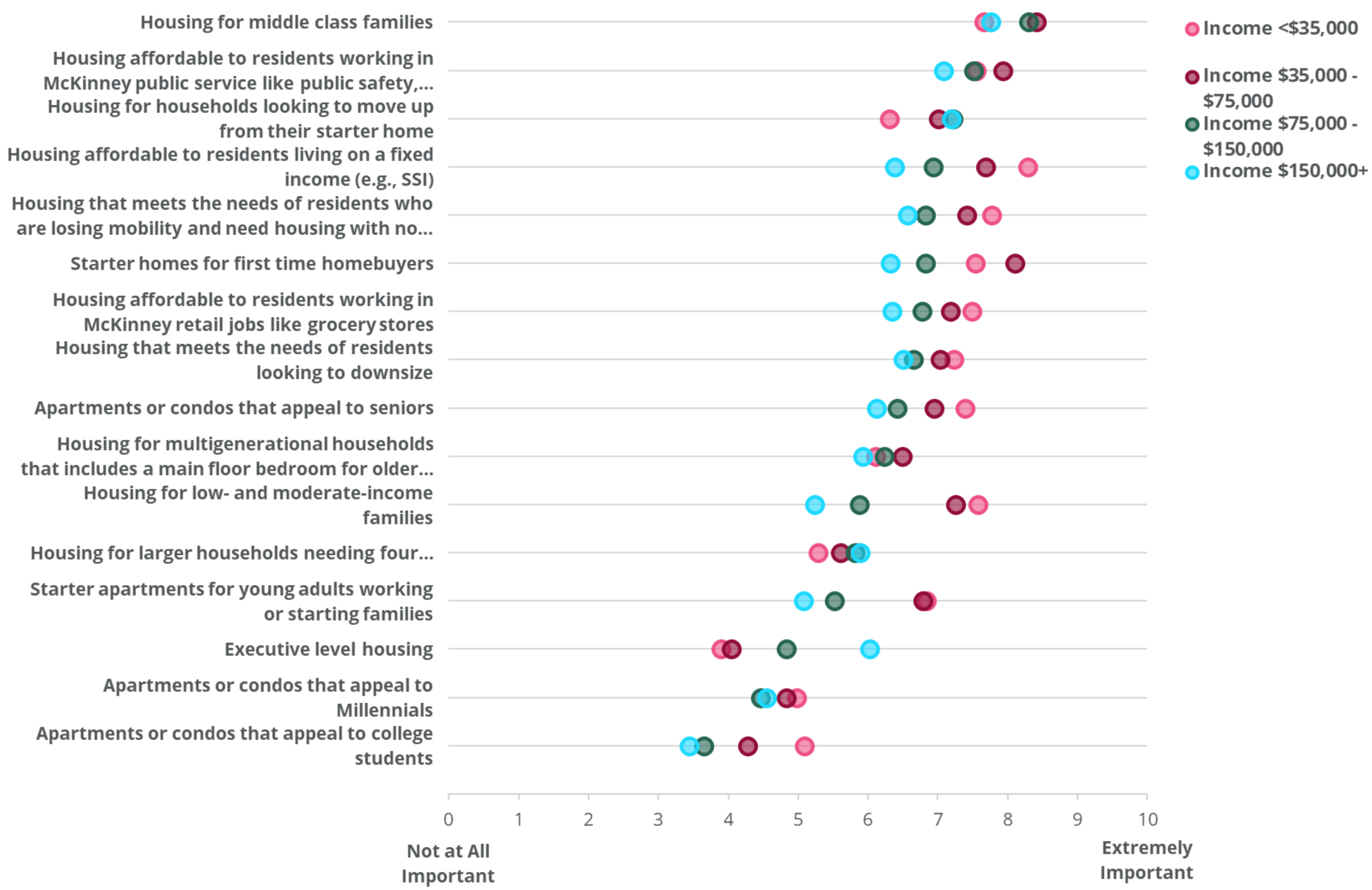
Figure III-15.
On a scale of 1 to 10, where 10 means extremely important and 1 is not at all important, how important to you is it that McKinney's housing supply includes the following types of homes? Average Rating, by Tenure



Note: n=1,224.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

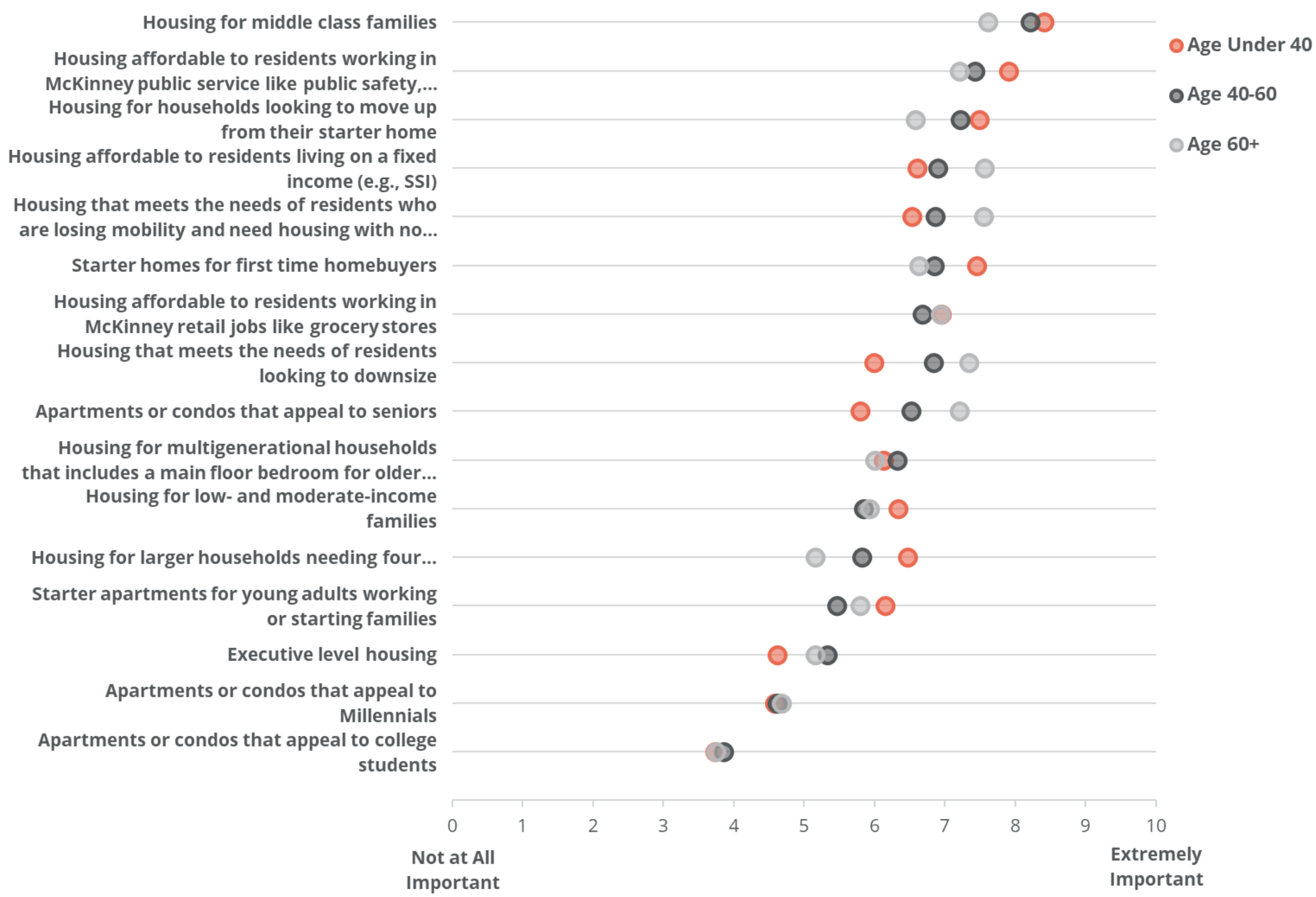
Figure III-16.
On a scale of 1 to 10, where 10 means extremely important and 1 is not at all important, how important to you is it that McKinney's housing supply includes the following types of homes? Average Rating, by Income



Note: n=1,224.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

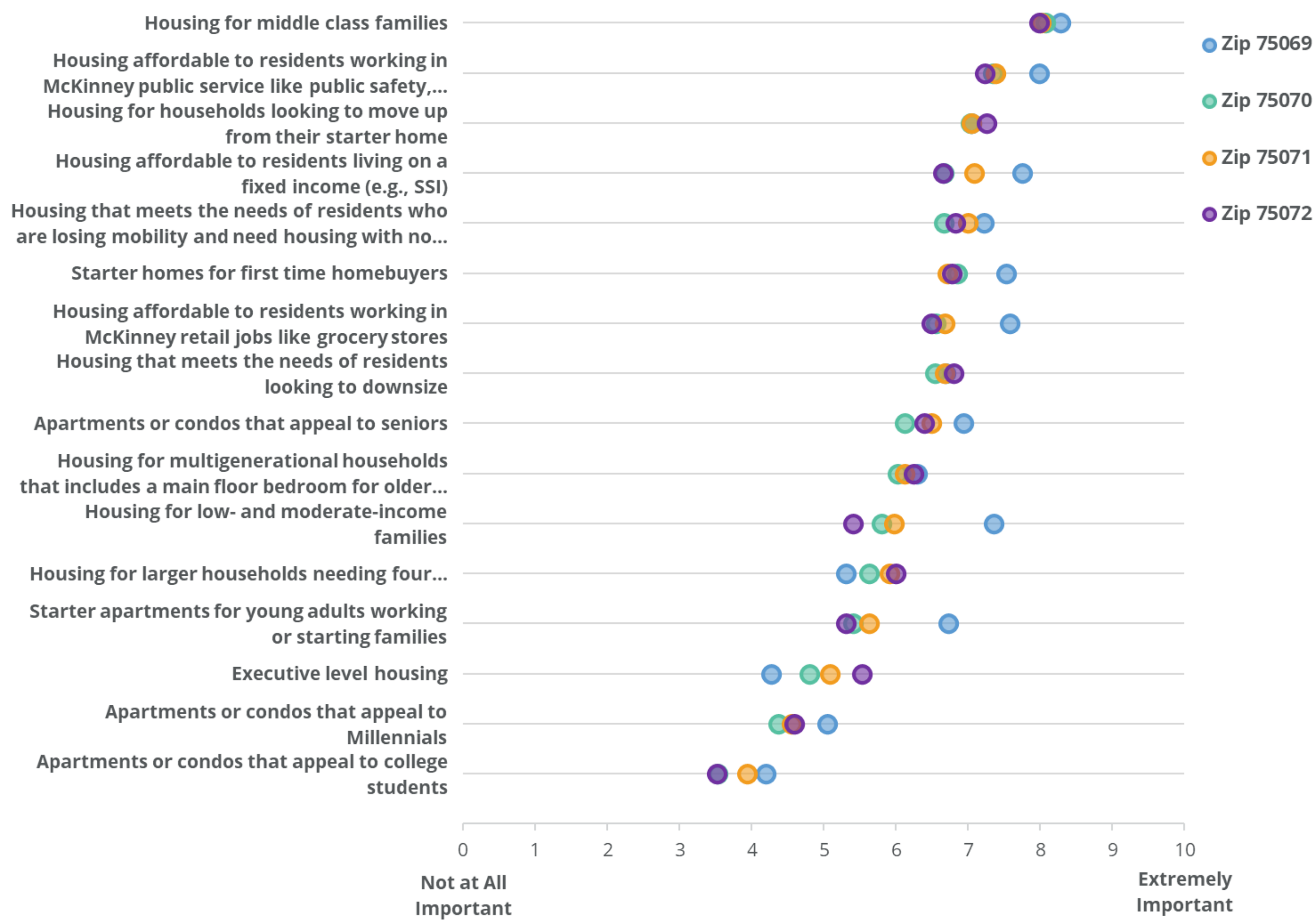
Figure III-17.
On a scale of 1 to 10, where 10 means extremely important and 1 is not at all important, how important to you is it that McKinney's housing supply includes the following types of homes? Average Rating, by Age



Note: n=1,224.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

Figure III-18.
On a scale of 1 to 10, where 10 means extremely important and 1 is not at all important, how important to you is it that McKinney's housing supply includes the following types of homes? Average Rating, by Zip Code



Note: n=1,224.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

Appropriate locations for different housing product types. Residents were asked to consider whether different housing types were appropriate in their neighborhood, other McKinney neighborhoods, or not appropriate in McKinney. Figure III-19 presents these results. Overall, residents were open to a variety of lot sizes and some soft density in their neighborhoods, though they favored single family development. Residents were more open to density and product diversity in "other neighborhoods" in McKinney.

Housing types/uses "appropriate in my neighborhood". The following housing types were most commonly considered "appropriate in my neighborhood":

- Medium-sized single family homes between 1,500 and 3,000 square feet (84%);
- Medium lots between 6,000 and 10,000 square feet (49%);
- Small lots of 5,000 square feet or less (43%); and
- Small homes with less than 1,500 square feet (32%).

Residents are more mixed in their perception of whether or not low density attached products are appropriate in their neighborhood or elsewhere in McKinney.

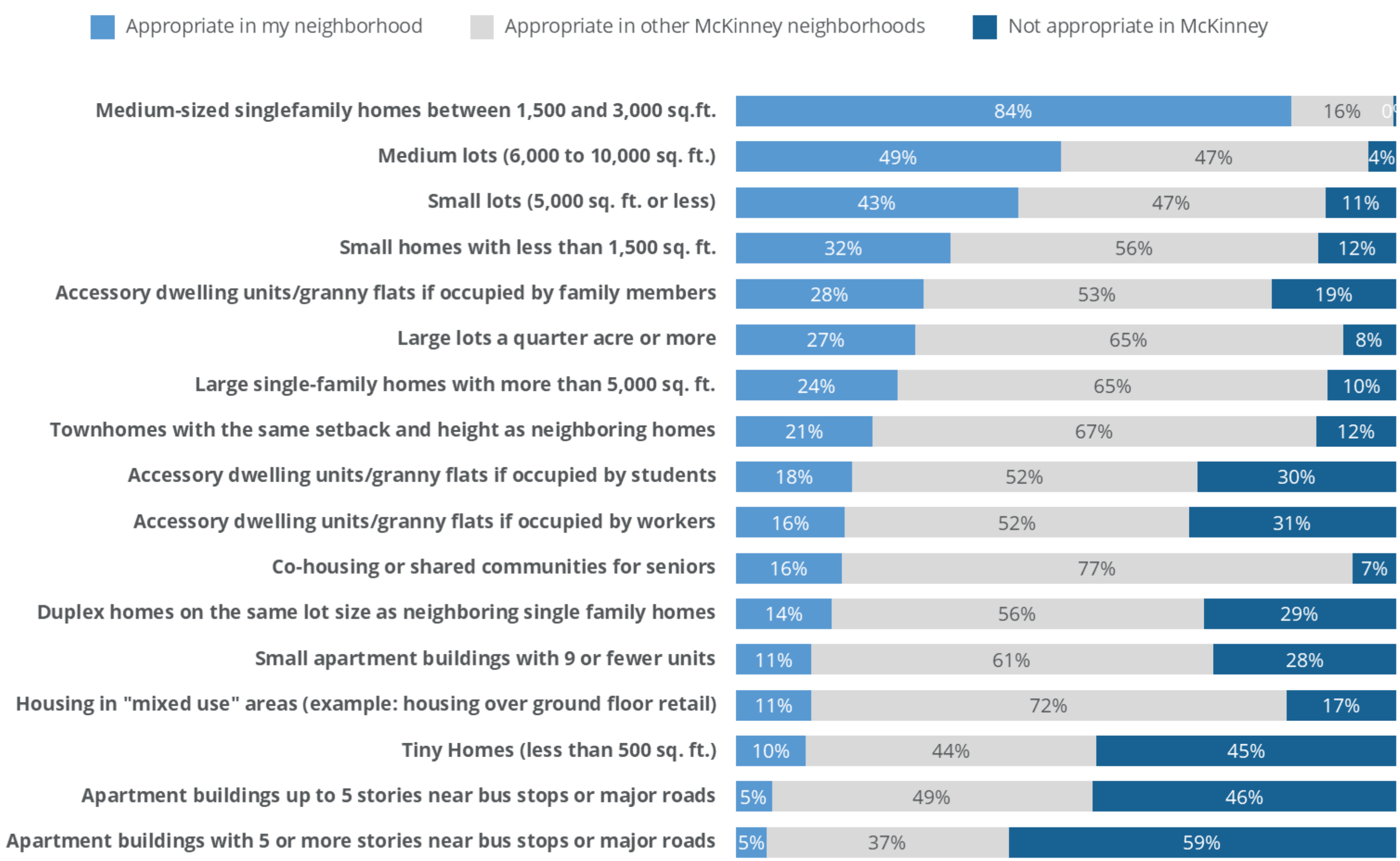
Housing types/uses "appropriate in other McKinney neighborhoods". The following housing types were most commonly considered "appropriate in other McKinney neighborhoods":

- Co-housing or shared communities for seniors (77%);
- Housing in "mixed use" areas like housing over ground floor retail (72%);
- Townhomes with same setback and height as neighboring homes (67%);
- Large lots a quarter acre or more (65%); and
- Large single family homes with more than 5,000 square feet (65%).

Housing types/uses "not appropriate in McKinney". The following housing types were most commonly considered "not appropriate in McKinney":

- Apartment buildings with 5 or more stories near bus stops or major roads (59%);
- Apartment buildings with up to 5 stories near bus stops or major roads (46%); and
- Tiny homes less than 500 square feet (45%).

Figure III-19.
Appropriate Locations for Housing Types



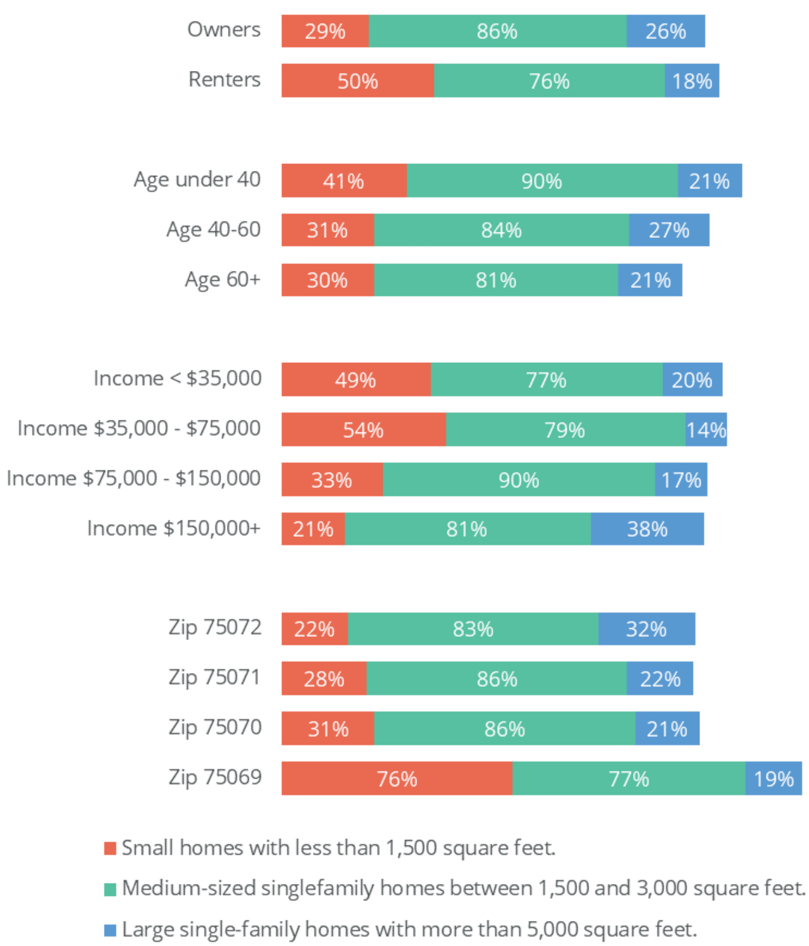
Note: n=1,166.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

Appetite for density. Figures III-20 through III-23 look at housing types residents considered appropriate in their neighborhood for McKinney by tenure, age, income, and ZIP code, and in categories of housing types—single family home size, lot flexibility, apartment buildings, and emerging products.

The types of housing deemed appropriate ("in my neighborhood") vary. Preferences for single family homes are more uniform than for other types of housing products. Renters, younger residents, lower income households, and residents in zip code 75069 are more likely to consider small homes appropriate in their neighborhoods (Figure III-20).

Figure III-20.
Appetite for Density—Single Family Home Size

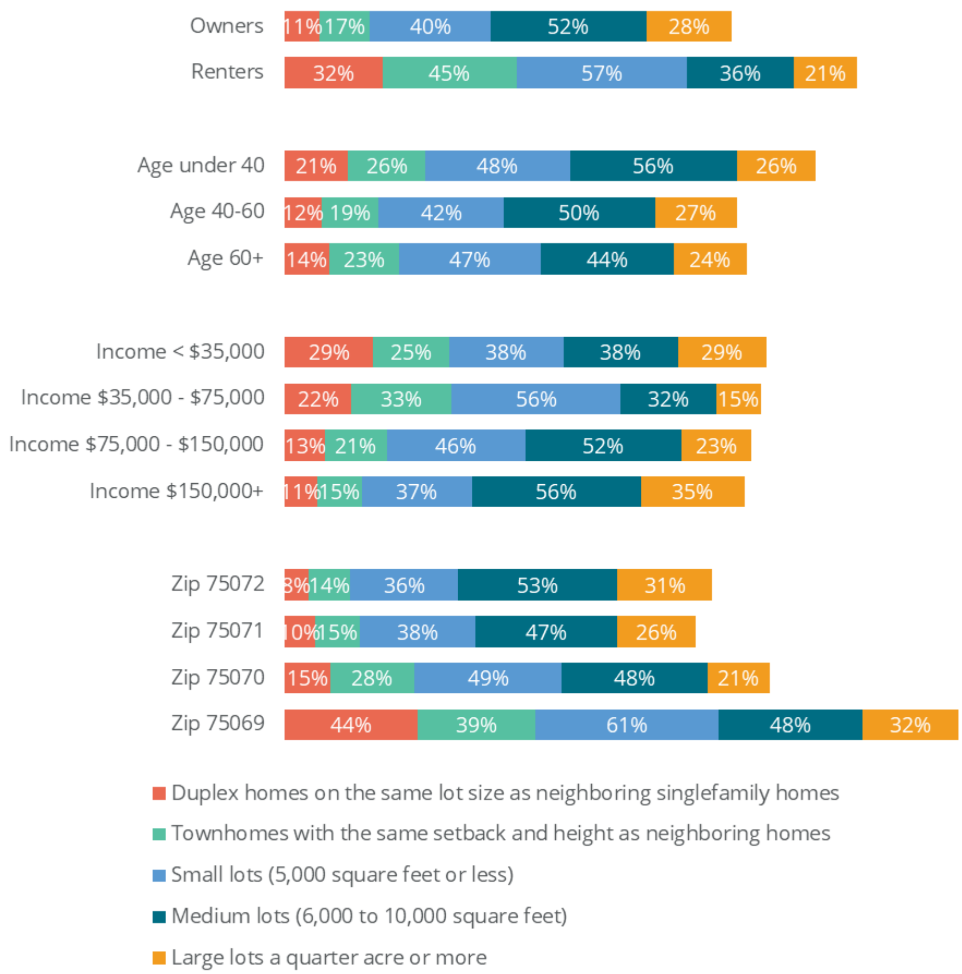


Note: n=1,166.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

As shown in Figure III-21 renters, younger residents, and residents in zip code 75069 have higher tolerance for lot flexibility. Overall lot flexibility does not vary much by income but the distribution of the types of lots does, with lower income residents more receptive to affordable attached products such as townhomes and duplexes.

Figure III-21.
Appetite for Density—Lot Flexibility

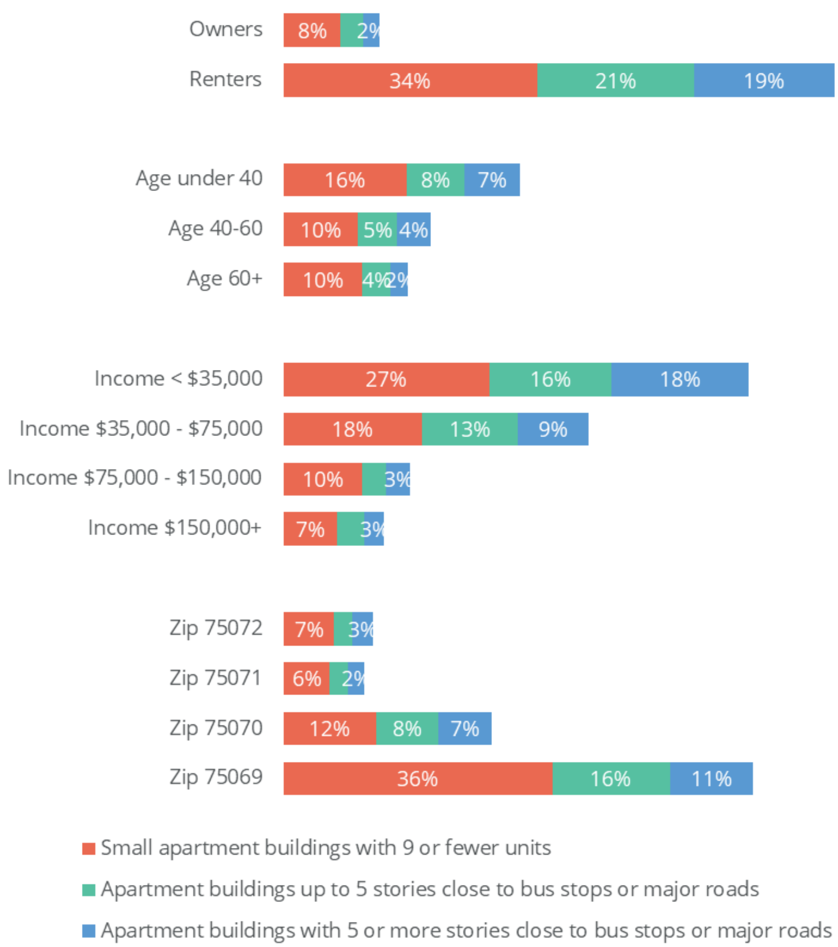


Note: n=1,166.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

Figure III-22 shows wide variation in appetite for apartment buildings. Renters, younger residents, lower income households, and residents in zip code 75069 are much more likely to consider apartments appropriate in their neighborhoods—particularly small apartments with 9 or fewer units.

Figure III-22.
Appetite for Density—Apartment Buildings



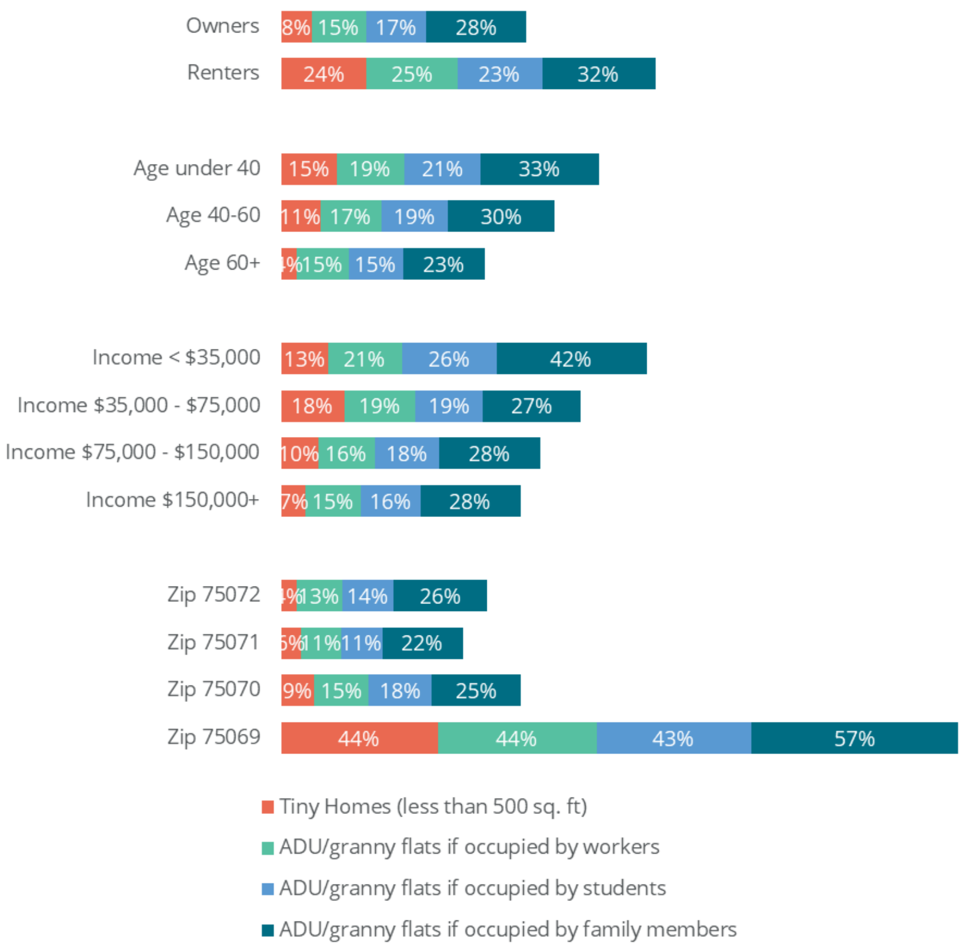
Note: n=1,166.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

As shown in Figure III-23, the widest variation in appetite for emerging products is among different areas in the city. While renters, younger residents, and lower income households, are more tolerant of these housing products; residents in zip code 75069 are much more likely to consider these alternative housing types appropriate in their neighborhoods—with over 40 percent indicating each of the emerging products is appropriate in their neighborhood.

When asked "If you had the resources, would you consider building and renting out an accessory dwelling unit on your property?" residents in 75069 were twice as likely to answer yes or maybe (50%) as the average McKinney resident (25%).

Figure III-23.
Appetite for Density—Emerging Products



Note: n=1,166.

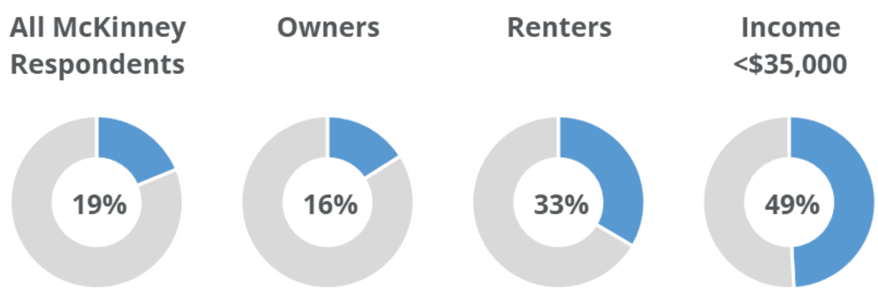
Source: Root Policy Research from the 2020 McKinney Housing Survey.

COVID-19 Impacts in McKinney

Survey data collection closed on May 18, 2020, around two weeks after the State of Texas' reopening. The survey data characterize needs after the start of the stimulus payments and expansion of unemployment benefits. As these types of assistance become more uncertain and eviction moratoriums are lifted, the need for assistance with housing costs, landlord/tenant mediation, and employment assistance will likely grow.

Figure III-24 shows renters and low income households were significantly more likely to see their housing situation impacted by the pandemic—half of households with income below $35,000 said their housing situation was impacted by the pandemic, compared to one fifth of McKinney residents overall. Half of low income households who saw their housing situation impacted by the pandemic indicated having to make some form of payment adjustment— such as paying late, paying less than the full amount, or having to borrow money in order to make a housing payment.

Figure III-24.
Percent of respondents who said their housing situation was impacted by the COVID-19 crisis.

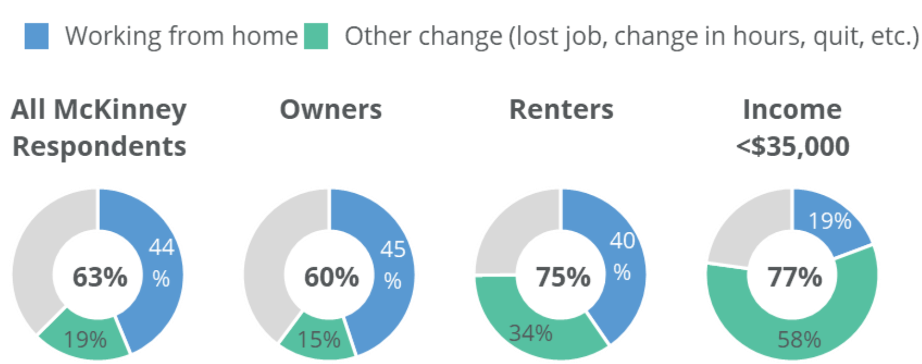


Note: n=1,442.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

Renters and households with income below $35,000 were also more likely to have their or a household member's employment situation impacted by the pandemic. Only 19 percent of households with income below $35,000 where able to work from home (compared to 44% in McKinney overall) while 58 percent saw other changes such as change in hours or loss of job (compared to 19% in McKinney overall). Forty two percent of households with income below $35,000 indicated they had been furloughed or had their hours decreased due to the pandemic.

Figure III-25.
Percent of respondents who said a household member's employment situation changed because of the COVID-19 crisis.



Note: n=1,442.

Source: Root Policy Research from the 2020 McKinney Housing Survey.

Focus Group Findings

In addition to the survey incorporated above, focus group and interview participants offered additional insight into the housing needs and development in McKinney.

Participants discussed the importance of achieving affordability for both rental and ownership products that accommodates the workforce and discussed how local labor markets and public policies impact the cost of development and incentivize the types of units built. Key topics discussed by stakeholders include:

- **Shortage of affordable housing**—Persons with disabilities and older residents have trouble finding accessible housing that is affordable. With the rapid growth in rents, flexible and affordable childcare has become a challenge for working families, especially those with working schedules outside regular business hours (8am to 5pm). According to stakeholders, the city lacks affordable housing across a wide income range. Stakeholders perceive the city is not meeting the demand for housing from households earning up to 120 percent AMI.

- **Need for flexible housing option**— building on smaller plots of land and more types of single story attached housing (duplex, triplex, etc.) can meet the emerging demand for starter workforce housing as well as the need for more accessible housing that requires less maintenance for the older population.

- **COVID-19 to accelerate housing needs—** Stakeholders believe the demand for affordable housing will only accelerate during the current COVID-19 crisis. Families working in the retail and hospitality industries and have been impacted by the crisis will have a greater need for housing assistance.

- Comparatively, McKinney does not have codes or regulations identified as regulatory barriers to affordable housing. However, the City is perceived as being very prescriptive on future land use and would benefit from more flexibility. In addition, land costs and fees in McKinney tend to be higher than in neighboring communities.

- Stakeholders indicated that City efforts through the McKinney Housing Finance Corporation have been successful in expanding the number of affordable units developed in the city.

- Interviews with stakeholders indicate a big barrier to affordable development is local resistance from residents, specifically on the west side of the city. In addition, there is local resistance to the building of apartments, particularly tall buildings.

SECTION IV.

KEY FINDINGS AND ACTION PLAN

SECTION IV.
Key Findings and Action Plan

This section summarizes the top housing needs in McKinney and provides an action plan to address those needs.

Why Work to Address Housing Needs?

A balanced housing stock accommodates a full "life cycle community"—where there are housing options for each stage of life from career starters through centenarians—which in turn supports the local economy and contributes to McKinney's community culture. Actions that help mitigate price increases, preserve both market-rate and publicly assisted housing affordability, and generate diverse and affordable housing options will also help preserve the culture and identity of the community itself.

As part of the survey conducted for this study, McKinney residents rated the importance to them that McKinney's housing supply included housing that would appeal to or be suitable for a variety of households. The ratings reflect the importance to residents that the McKinney housing stock accommodate the preferences and incomes of a diversity of residents and households.

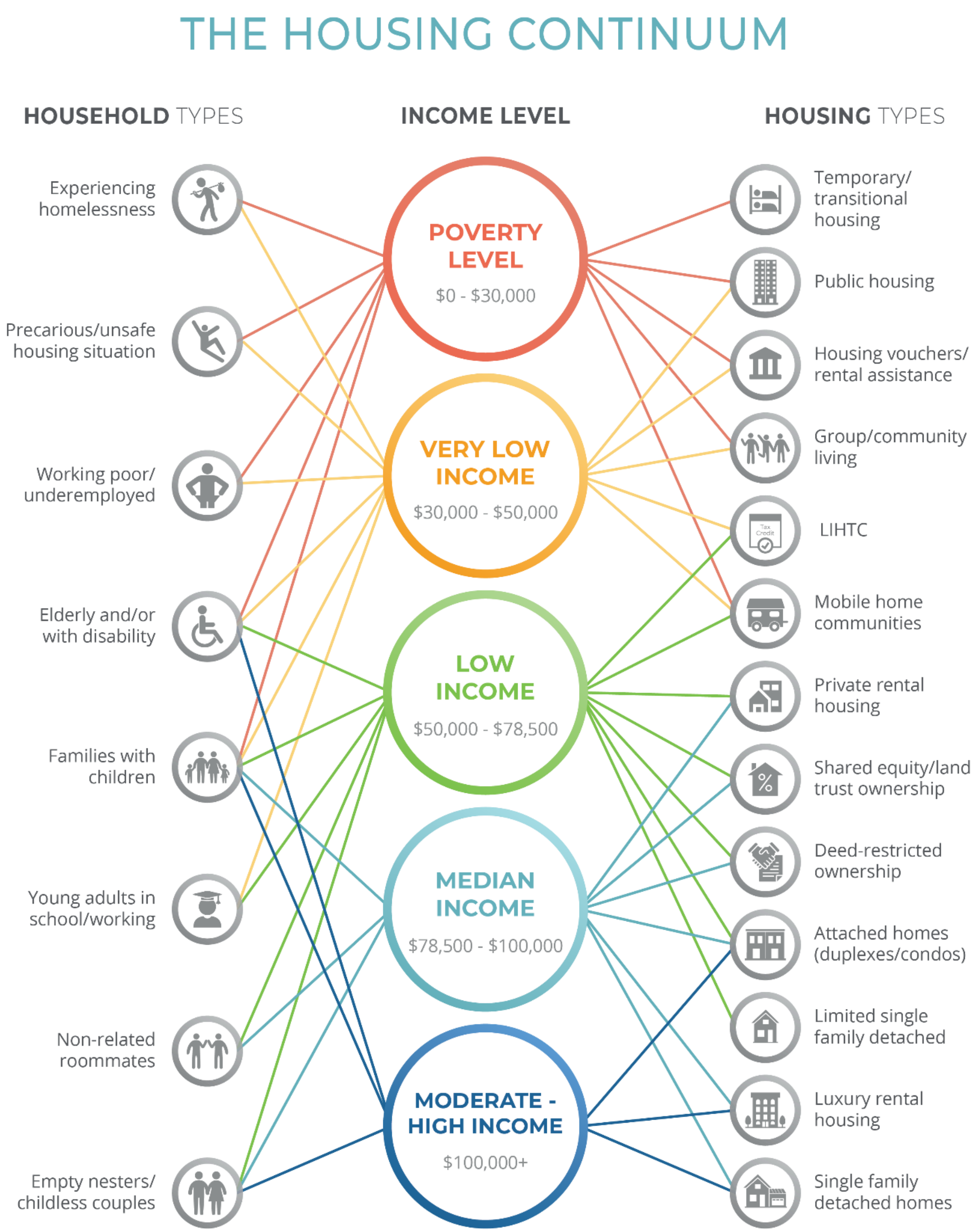
McKinney residents believe it is very important that there is a place for middle class families, public servants, residents living on fixed incomes, the retail workforce, first-time homebuyers, and low and moderate income families, in McKinney. In general, the ratings are remarkably consistent across different segments of the McKinney community.

Continuum of Housing Needs

Residents' housing needs change over time, due to a variety of factors and preferences, often driven by aging, education and skill development, employment/income, economic disruption, care for family members, and/or transition to a fixed income. Although resident surveys demonstrate that housing decisions are largely driven by affordability, individual preferences about housing types and living environments also affect housing demand.

A balanced housing market responds to the diversity of housing needs and preferences by offering a variety of housing options. The following figure illustrates a variety of household types by income range and the housing solutions that best accommodate diverse and changing needs as residents move through economic and life cycles. It is not a perfect representation of all households but attempts to convey common situations; some households could appear in multiple categories (e.g., families with children can also live in precarious or unsafe housing conditions).

Figure IV-1.
Housing Continuum



Source: Root Policy Research.

Top Housing Needs in McKinney

Primary findings indicate the following core housing needs in McKinney:

- **Additional affordable rentals, particularly for residents earning less than $35,000.** Between 2010 and 2018, the city lost 2,100 private market rentals affordable to households earning less than $35,000 per year due to price increases. At the same time, the city gained 1,700 more residents earning less than $35,000. The loss of affordable rentals and increase in low income households increased the gap between demand and supply of affordable rentals.

  Currently, McKinney has a shortage of 3,700 rental units priced affordably for renters earning less than $35,000 per year. (This income level roughly equates to 50% of AMI for a 2- to 3-person household in the Metroplex).

  While the most acute need for affordable rentals is among households earning less than $35,000 annually, encouraging development of rental units for households earning between $35,000 and $50,000 (gross rents $875-$1,250 including utilities) may help stabilize rental supply and address affordability needs of these low-to-moderate income households.

  Altogether, 46 percent of all McKinney renters, more than 9,200 renter households, are cost burdened, spending 30 percent or more of their income on housing costs. Of these, almost half (nearly 4,400 households) are severely cost burdened, paying more than 50 percent of their income on housing costs. Owners face lower rates of cost burden, with 29 percent of owners with a mortgage and 14 percent of owners without a mortgage facing cost burden.

  According the resident survey 55 percent of renters worry about rent increasing to an unaffordable level and 22 percent struggle to pay their rent. One in four residents with income below $35,000 struggles to pay their rent/mortgage and one in three struggles to pay their property taxes.

- **Starter homes and workforce housing priced near or below $200,000.** McKinney has experienced substantial increases in home prices since 2000. Sharp increases in home prices are particularly notable between 2012 and 2018. Using the previous decade price growth rate, a home priced at $200,000 in 2010 is worth around $320,000 in 2020. Median incomes, however, have not kept pace. While this is an issue in the U.S. in general, it is more acute in McKinney—while wages in McKinney have increased at roughly the same pace as in the U.S., home prices in McKinney have risen significantly faster than national home prices.[1]

There has been a significant loss in affordable entry-level ownership options since 2011. The share of homes sold that were priced below $200,000 dropped from 58 percent in 2011 to less than 3 percent in 2019 and the share of homes sold for $300,000 or more rose from 14 percent in 2011 to 60 percent in 2019. According to stakeholders, the city lacks affordable housing across a wide income range. Stakeholders perceive the city is not meeting the demand for housing from households earning up to 120 percent AMI. The ownership gaps analysis indicated a shortage of homes affordable to households earning $75,000 or less. (This income level roughly equates to 100% of AMI for a 2- to 3-person household in the Metroplex).

Increasing the variety of product types in McKinney (smaller single family homes and single family attached products) may help meet this need. Attached homes in McKinney sell for lower price points. Median price for attached homes was $295,000 in 2019-2020, compared to $375,000 for detached homes.

- **Increase ownership product diversity.** McKinney has a shortage of "missing middle" products, which often serve as a gateway to homeownership for residents. Contributing to this shortage is the difficulty in developing such units in residential neighborhoods in McKinney due to neighborhood resistance.

  As illustrated by survey results, McKinney residents, especially homeowners, are not inclined to agree that housing types other than single family homes are appropriate in their neighborhoods. As the City considers efforts to increase ownership product diversity and affordability, it will be essential to help convey the benefits of these products and mitigate existing neighborhood concerns.

- **Strategic redevelopment and condition improvements.** Redevelopments can serve multiple purposes for the City: 1) Help to revitalize and refresh aging stock and infrastructure; and 2) contribute to mixed-use placemaking, which serves as an economic driver, drawing both residential and commercial activity. Preferences for mixed-use living and walkable environments are increasing nationwide and are particularly evident among both young adult/millennial households and among empty nesters/aging seniors. These preferences may become even more important in a post-COVID cultural shift toward flexible work environments.

  Overall, about one-third of residents with incomes below $35,000 said their home was in fair or poor condition. Though most residents do live in housing that is in good

[1] The compound annual growth rate between 2010 and 2020 for McKinney is 4.8 percent compared to 3.5 percent at the national level.

condition, the need for improvements has a disproportionate impact on vulnerable populations.

Redevelopment efforts in the east and older part of the city (Zip 75069) will help serve existing residents but also attract new residents to the city. Among residents living in that area one in three said "there are inadequate sidewalks, street lights, drainage, or other infrastructure in my neighborhood" and one in five (21%) indicated there is "too much traffic/too much street/highway noise." These households are also more likely to be concerned about safety, and access to jobs and grocery stores.

Addressing Needs

In accordance with McKinney's Comprehensive plan, the city needs housing products that serve a wide range of age, income, and lifestyle stages. This will enhance McKinney's position as an emerging regional center for both shopping and employment and will support higher than typical market shares for retail, office and industrial space.

McKinney's Comprehensive Plan also states that "Reinvestment is a critical component of this plan. This reinvestment must take place not only in the streets and physical infrastructure of older parts of the City, but also in the municipal goods and services being provided to those areas. Reinvestment shows an equal and unwavering commitment on behalf of the City to all its residents, new and old."

According to the resident survey, residents in the older eastern part of the city are more open to different product types and land uses. The city can take advantage of the higher appetite for smaller homes and lots, attached housing products, rental housing, and emerging products such as granny flats, to design a strategy that accommodates workforce housing and increased product variety while conserving the charm that make it an attractive retail and services cluster.

Policy options. The following toolkit presents a number of policies and programs that could be implemented by the City of McKinney to address the housing needs identified above. This list is presented as a menu of options and does not reflect an adopted action plan of the City. Root Policy Research's top recommendations for the City of McKinney follow the toolkit.

Figure IV-2.
Tools for Housing Diversity and Affordability

Tool	Description of Policy/Program	Typical Beneficiaries	Benefits	Challenges	Outcomes	Keys to Success
Acquiring and Repurposing Land and Property						
Inventory Public Land for Housing Sites Active Land Bank Program Donation of Land/Homes Program	It is increasingly common for local governments to donate vacant land or underutilized properties (e.g., closed schools, vacant or out-of-date public sector offices) for use as residential mixed-income or mixed-use developments. Some properties are acquired after businesses have been closed for illegal use or very delinquent taxes. These properties are then held in a "land bank," and eventually redeveloped by nonprofit or private developers through a Request for Proposal (RFP) process. Land banks vary in forms from single parcels to multiple, scattered site properties, to large tracts of land. A good starting point in this process for any community is creating an inventory of existing public land that could be used for housing sites in the future.	Varies by type of development.	Initial inventory is a low/no-cost step; land banking and donation can reduce future development costs (particularly if acquire when land costs are low); maintains flexibility in meeting future needs	Acquiring land can be costly (depending on market cycle); limited supply and can require quick response to land available (staffing/authority concern); risk that future needs will not align with expected land use	Outcomes depend on existing land inventory and committed resources. Potential for high impact (substantial number of units).	Works best... - in community where there is land available to repurpose - when can acquire during a down market - have good partnerships with non-profit developers
Land Trust (or other deed-Restricted ownership model)	A land trust is typically a nonprofit that owns land on which units are developed and then sold at a discount to low and moderate income, often first time, homebuyers. The land is acquired through public and private donation and purchase. The buyers own the structure; the land trust owns the land. The buyers have a lease on the land (usually 99 years) for a modest monthly fee. Upon resale, the owners receive equity gains from appreciation and improvements made to the unit. The unit is sold to another qualifying low income buyer.	Low and moderate income renters who want to become owners (e.g., households with fixed incomes, persons with disabilities)	Preserves ownership in perpetuity (as opposed to a specified term; builds wealth for owner-occupant; operations and program management handled by non-profit	Only addresses needs for ownership; provides deep but not necessarily broad assistance (substantial assistance to relatively few families).	Outcomes depend on committed resources. Potential for high impact (substantial number of units).	From a policy perspective to challenge to making this work is partnership with a local land trust and deciding how the city will support the land trust (grant funding, land donation, operational support, development incentives, etc.)
Preservation/Revitalization						
Right of First Refusal for MF/Affordable Developments	Typically two forms: 1) Laws that require owners of affordable housing notify the public sector of intent to sell or redevelop property and allow period of potential purchase by public sector; or 2) Laws that give tenants the right to purchase a rental unit or complex (including mobile home park) before the owner puts it on the market or accepts an offer from another potential buyer. Laws typically allow residents to assign their "right of first refusal" to other entities, such as nonprofit partners that help the residents form a limited equity cooperative, or affordable housing providers that agree to maintain the property as affordable rental housing for a set period of time.	Low to moderate income renters at risk of eviction due to property sale.	Preservation is much less costly than new development; prevents displacement of existing resident tenants, relatively low effort from an administration perspective.	Requiring notification can be easy but converting notification to preserved sale can be difficult: hard to compete with private section in hot market and requires substantial capital for City to make a purchase or subsidize a non-profit purchase.	Generates/preserves some affordable units, but only if resources are allocated to acquire when necessary.	Works best when there are state or other outside funds to leverage (e.g., Private Activity Bonds); very difficult to compete with private market buyers in a hot market.
Acquisition/ rehabilitation	In this strategy nonprofits or for-profit affordable housing developers purchase privately-owned but low-priced housing options, or subsidized units with affordability periods ending ("at risk" affordable housing). Owners make needed improvements and institute long- term affordability. At-risk housing stock may include private rentals with rising rents, manufactured housing parks, or lower-cost single- family homes and real estate owned (REO) properties. Rental properties can be maintained as rental or convert to cooperative ownership. Ownership properties can be resold to lower-income families or leased as affordable rentals.	Varies by program type.	Generates guaranteed affordability out of existing stock (less costly than new development); can be used for rental or ownership.	Can be difficult to identify properties, though it can be structured at the city level as a resource pool for non-profits, which reduces the staffing and management burden on the city.	Generates some affordable units	Works best with a trusted non-profit partner

Source: Root Policy Research.

Tools for Housing Diversity and Affordability (continued)

Tool	Description of Policy/Program	Typical Beneficiaries	Benefits	Challenges	Outcomes	Keys to Success
Preservation/Revitalization (continued)						
Small landlord incentives	Public sector incentives that encourage small landlords to keep units affordable for a period of time in exchange for subsidized rehabilitation or tax or fee waivers. Requires identification of properties through rental registration. Could also be applied to current vacation rentals for conversion to longer term permanent rentals.	Low income renters and small landlords providing naturally occurring affordable housing.	Can be low cost and accomplishes two objectives: improving housing stock and preserving affordability.	Requires allocation of resources; does not tend to generate large quantity of affordable units.	Improves existing housing stock (rehab) and generates some affordable units; efficacy of short term rental program is unknown (not widely used)	Works best if have (or are instituting) a rental registry.
Foreclosure and eviction prevention.	Housing Counseling generally takes the form of providing assistance with mortgage debt restructuring and mortgage and/or utilities payments to avoid foreclosure; short-term emergency rent and utilities assistance for renters. Cities often partner with local nonprofits experienced in foreclosure counseling. Landlord-tenant mediation is similar but generally conducted by local Legal Aid for more involved disputes between the landlord and tenant.	Low to moderate income homeowners and renters at risk of foreclosure and eviction due to job losses/cutbacks, medical bills, tragedy in family affecting economic situation. etc.	Generally low cost and high impact; provides assistance to those who need it most and reduces public costs related to homelessness and other social services but preventing foreclosure and eviction.	Requires local non-profit or legal aid partner.	Reduces foreclosures and evictions.	Works best with a trusted non-profit partner
Financial						
Dedicated Local Funding Source (Housing trust funds)	Local or state fund created to fund a variety of affordable housing activities. Trust fund have grown immensely in popularity with reductions in federal funding for housing. Revenue sources are varied and include: General Obligation Bonds, Real Estate Transfer Taxes (RETT), commercial linkage fees, impact fees, cash-in-lieu from inclusionary zoning buyouts, and other types of taxes, generally those that are directly tied to demand for housing.	Depends on type of development receiving subsidies from the land trust; generally extremely and very low income residents. Some trust funds specify use by renter/owner, income level, special needs.	Can be used on a variety of programs to address needs across the housing spectrum; flexible funding source without federal regulations.	Does not always have political support; efficacy is tied to level of funding; requires staff capacity to manage and allocate resources.	Can be very effective, depending on funding amount and priorities.	Works best when City has clear housing plan/goals and has staff capacity to manage.
Commercial and/or Residential Linkage Fees (or Impact Fees)	Assessments on new commercial or residential development to produce affordable housing. These fees are calibrated to offset the impact of the new development housing availability and affordability by providing funding for new affordable housing developments.	Low and moderate income households; workforce.	Inherently fair in that it requires a nexus study to statistically establish the impact of development types on housing. Leverages private developer profits to generate funds for affordable housing (does not require city resources).	Increases developer costs, which can either discourage development or get passed on to final tenants; requires a nexus study and some staff capacity to enact and mange.	Typically generates modest resources for housing as most programs assess fees well below nexus-proven amounts.	Works best in "hot" markets and in communities with additional capacity for development.
Tax Increment Financing	Revenue generated by borrowing against projected growth in property tax revenues within designated redevelopment (urban renewal) areas. All or a portion of the tax increment can be set aside for affordable housing preservation and production.	Depends on type of development.	Can generate affordable units in targeted areas; leverages existing funding source.	Can impact total TIFF package as property tax revenue on affordable developments may be low.	Generates modest volume of affordable units	Works well when affordable housing is paired with uses that generate higher future tax revenue (e.g., retail)
Buydown of ADA/accessible units	Provide subsidies to persons with disabilities who cannot afford market-rate accessible rentals, most of which are in multifamily developments built after 1990 (post Americans with Disabilities Act, or ADA).	Persons with disabilities, including seniors	Leverages existing housing stock to meet a need; increases supply/demand efficiency for accessible units.	Costs can vary and can be relatively high if most of accessible stock is new/luxury units.	Efficacy unknown; not widely used	Efficacy unknown; not widely used

Source: Root Policy Research.

Tools for Housing Diversity and Affordability (continued)

Tool	Description of Policy/Program	Typical Beneficiaries	Benefits	Challenges	Outcomes	Keys to Success
Regulatory changes and Incentives						
Local Affordable Housing Goals Adopted	Formally adopting local affordable housing goals (e.g., 10% of new rental units affordable to households earning <80% AMI) help set expectations for developers as they negotiate agreements with the city and establishes a target for the city to monitor progress.	Varies	Signals to development community the city's desire for affordable development; provides a benchmark for the city in navigating negotiations with developers and/or establishing incentives.	Political challenges in defining goal; if goal specifies income category, may reduce flexibility in future.	Varies, depends on goal and other tools in place to achieve. Benefit from signaling to developers is hard to quantify.	Most effective when goals are clear and when there is an entity responsible for monitoring (e.g., Housing Policy Committee).
Community Benefit Agreements	Agreements negotiated among community groups, a municipality and a developer that require specific terms in exchange for local support and/or planning approvals. CBAs aim to mitigate impacts of the project through local benefits like workforce training, local hiring targets and affordable housing investment.	Varies	Engages community in the discussion and allows for a participatory process. Can make development more palatable to the neighborhood.	Defining "benefits" proves challenging and can result in inconsistent outcomes.	Outcomes vary	Works best when primary barrier to development is community opposition.
Zoning for product and price diversity	The City of McKinney is currently in the process of updating its land use and zoning code. While the new code is in development, the City should strive to increase flexibility and implement best practices that allow product diversity and a mix of uses, and encourage affordable development.	Varies	Allows the market to serve changing demands with fewer constraints; capitalizes on efforts already underway to update zoning.	Can be opposed by residents in some neighborhoods who have concerns about changes to neighborhood character.	Outcomes vary	Works best when changes are consistent with Comprehensive plan vision.
Development incentives	Development incentives to encourage developers/builders to build affordable housing can take many forms: - Fast track development approval (see below); - A city-assigned, dedicated planning advocate to help move the development through the approval process; - Density or height bonuses (allows for more units to be built than allowed by right by zoning); - Building variances; - Fee waivers; and - Annexation approval tied to development of affordable housing. Development incentives are tied to a commitment to produce an agreed-upon share of affordable units (can be rental or owner). Most policies mandate set asides of between 10 and 30 percent, depending on the market, and set affordability periods ranging from 15 to 99 years).	Varies	Places burden on developers to create (or contribute to) city's housing goals but does so by providing benefit (typically in the form of additional profit) to developers--can be a win-win for developers and city. Can be structured to incentivize any kind of development (e.g., missing middle), not just affordable development. Signals city's development priorities to developers.	Requires staff capacity to monitor compliance; can be challenging to structure in order to create affordable units depending on existing zoning and development process. (For example, density bonuses only work if the entitlement density is low enough to entice developers to accept the incentive).	When well structured, incentives can be relatively high impact (generate moderate number of units) for very little cost to the city.	Works best in "hot" markets and in communities with additional capacity for development.
Expedited Development Review/ Streamlining development approval	Unnecessarily lengthy permitting processes restrict housing supply responsiveness to demand. Most cities' permitting processes do not fully leverage new technology to achieve greater speed, reliability and efficiency. A low cost way to encourage affordable housing is to commit to a standard process and/or time period during which proposed developments that include affordable housing are reviewed. In addition, cities can monitor and adjust, if needed, requirements for public hearings for affordable v. market rate developments to ensure that affordable developers are not subject to an excessive numbers of public meetings.	Varies	Reduces cost for developers by increasing predictability and lowering holding costs. Flexible, similar to other development incentives. Signals city's development priorities to developers.	Requires additional staff capacity for development review.	Outcomes difficult to quantify--impacts perceived "friendliness" to development community.	Works best in competitive regional market.

Source: Root Policy Research.

Recommendations. Root Policy Research offers the following recommendations as priority considerations for the City of McKinney's Housing Strategy. Recommendations are based on Root's experience working with peer communities and best practices in policy solutions to housing needs.

1. **Adopt an affordable housing goal** that articulates the City's priorities for housing development and methods for achieving it (such as set-asides).

2. **Allocate publicly owned land** (and/or acquire vacant or underutilized properties) for affordable and mixed-income housing. Property acquisition costs, especially in developed areas of the city, is a major component of the cost of developing affordable housing. This can be achieved through donations of tax delinquent properties or direct purchase with TIRZ, MCDC or grant funds.

3. **Implement a foreclosure/eviction prevention program.** Housing Counseling generally takes the form of providing assistance with mortgage debt restructuring and mortgage and/or utilities payments to avoid foreclosure and/or short-term emergency rent and utilities assistance for renters. Cities often partner with local nonprofits experienced in foreclosure counseling.

4. **Increase funding for affordable housing** through a dedicated local funding source and access to state funding sources. In addition to evaluating options for local funding allocations, the City of McKinney should investigate and leverage state programs for affordable development (e.g., TDHCA Single Family Development for CHDO program, Multifamily Mortgage Revenue Bond program, Multifamily Direct Loan program, and Housing Tax Credits).

5. **Zoning/land use:** The City of McKinney is currently in the process of updating its land use and zoning code in partnership with Clarion Associates. While the new code is in development, the City should strive to increase flexibility and implement best practices that allow product diversity and a mix of uses and encourage affordable development. Development incentives could also be included in the code to formalize affordability requirements in exchange for development benefits.

   - Common zoning regulations negatively impacting affordable development include minimum house and/or lot sizes, limited land zoned for moderate soft density (missing middle) options and/or multifamily, prohibitions on accessory dwelling units, restrictions on land zoned and available for multifamily and manufactured housing.

   - Development incentives are tied to a commitment to produce an agreed-upon share of affordable units (can be rental or owner). Most policies mandate set asides of between 10 and 30 percent, depending on the market, and set affordability periods (most commonly ranges from 15- to 60- year terms). Development incentives to encourage developers/builders to build affordable housing can take many forms; common examples are included in the preceding toolkit.

- Development fee waivers, reductions, or reimbursements from other sources, can work hand-in-hand with other funding sources, like a locally-funded Housing Trust Fund, to increase the city's capacity to financially support affordable housing projects that meet the community's priorities and expectations.