

TECHNICAL MEMORANDUM

To: Mr. Gary Graham, City of McKinney
Mr. Ryan Gillingham, City of McKinney

From: Aaron W. Nathan, P.E., AICP
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Date: May 31, 2022

Subject: EDC/CDC Related Transportation Infrastructure Funding
McKinney, Texas



Introduction and Background

The Development Corporation Act of 1979 provided Texas cities with a new financial tool to contribute towards business enterprises. This Act, combined with significant amendments in 1989 (added Section 4A) and 1991 (added Section 4B) formed the framework for Texas Local Government Code (TLGC) Chapters 501, 502, 504, and 505. These chapters outline the provisions governing these Economic Development Corporations, including defining the projects they can undertake.

Under these provisions, the City of McKinney operates the McKinney Economic Development Corporation (EDC), a Type A Corporation (created in 1993) and the McKinney Community Development Corporation) CDC, a Type B Corporation (created in 1996). For over 20 years, the EDC and CDC have operated with their respective boards, as appointed by City Council, in accordance with the Local Government Code. The use of these Type A and Type B Corporations is common for several Cities across the State of Texas.

As the City of McKinney has grown, the needs from its diverse business community have evolved and diversified. Similarly, the needs of the City's transportation infrastructure system have evolved and diversified as well. The purpose of this evaluation is to consider if additional transportation infrastructure funding options may be provided to the EDC and CDC boards in accordance with the TLGC to best fit the needs of the City. The City of McKinney retained Kimley-Horn to provide professional services to evaluate the types of transportation infrastructure that could be funded by a portion of the City's future EDC and CDC funds, including capital improvement planning, construction, reconstruction, and major rehabilitation projects in accordance with the TLGC.

Analysis

Our approach to this evaluation included the following steps:

1. Review of the TLGC related to the EDC and CDC.
2. Review of the City's currently adopted Comprehensive Plan.
3. Review of the City's currently adopted Master Thoroughfare Plan.
4. Review of the City's currently adopted Future Land Use Plan.
5. Review of the City's Pavement Management Plan.
6. Consideration of the types of eligible transportation improvements.

The following sections address how each of the above documents were considered in this evaluation.

Texas Local Government Code

The Local Government Code (Section 501.103) allows for “project” expenditures to include those associated with “infrastructure necessary to promote or develop new or expanded business enterprises”, which includes “streets and roads” as one of the eligible expenditures. Accordingly, the EDC and CDC may assist with the funding of infrastructure improvements that will promote or develop new or expanded business development.

It is clear from the TLGC that there is a nexus between a city, through its Type A and B corporations, providing a reliable and efficient transportation system and the ability to promote and support economic growth. Notably, the Mission Statement of the US Department of Transportation includes reference to the economy by stating its goal is to “serve the American economy through the safe, efficient, sustainable, and equitable movement of people and goods.” At the defining level, there is a connection between providing and maintaining a transportation system with economic growth.

Comprehensive Plan

The City of McKinney’s Comprehensive Plan serves as the guiding policy document for the City and includes five Mobility Strategies to develop a safe and efficient transportation network. The fourth intended outcome of the mobility strategy is to “promote opportunities for desired economic growth and development”.

Based on a review of the City’s Comprehensive Plan, the safety and efficiency of the transportation network has a direct correlation to the relationship to encouraging economic development and related activity within the City.

Master Thoroughfare Plan

The City of McKinney’s Comprehensive Plan also includes a Master Thoroughfare Plan (MTP), which “provides the long-term vision of the major street network necessary to meet future travel needs. The MTP is the tool that enables the City to preserve future roadway corridors and to protect the necessary right-of-way.” The MTP is comprised of various classifications of facility types: Highways, Principal/Major/Greenway/Minor Arterials, Collectors, and Local Streets. This functional classification system balances traffic movement and access to local destinations.

Based on a review of the City’s MTP, those facilities with a functional classification of Principal Arterial, Major Arterial, Greenway Arterial, and Minor Arterial have a primary purpose to provide traffic movements into, out of, and within McKinney, which have a direct, positive relationship to encouraging economic development, more specifically new and expanded business enterprises, and related activity within the City.

Future Land Use Plan

The City of McKinney’s Comprehensive Plan includes a Land Use & Development Strategy, which provides “direction related to the desired development patterns around the City, and to inform decisions related to the time and phasing of future infrastructure investments in the City.” Two of the intended outcomes of this Strategy directly relate to economic development – one is ‘Development Outcomes’, which includes ensuring a diverse economic base; and the other is ‘Attraction of Market and Industry Preferences’, which includes retaining and enhancing the City’s stock of high-quality jobs in growing industries.

The TLGC includes reference to several land uses that may be considered as targeted locations for the promotion and development of new and expanded business enterprises supported by the EDC/CDC:

- Manufacturing and industrial facilities,
- Research and development facilities,
- Distribution centers,
- Warehousing,
- Job training facilities, and
- Corporate headquarters facilities.

Based on a review of the City’s Land Use Diagram, multiple land uses in the City’s plan directly promote and encourage those land use types specifically targeted by the TLGC. This includes Aviation, Commercial Center, Employment Mix, Manufacturing & Warehousing, Mixed Use Center, and Professional Campus. It is also possible for other land use categories to include an approved land use type or project consistent with the TLGC as well such as a Corporate Headquarters facility with significant job creation located within the McKinney Town Center.

Pavement Management Plan

The City of McKinney regularly completes and updates a Pavement Management Plan (PMP). The purpose of the PMP is to evaluate the pavement condition of City roadways to then develop the appropriate maintenance and rehabilitation strategies. The City’s goal is to preserve its existing pavement infrastructure for as long as possible, which in turn optimizes the use of available funds.

Roadway pavements tend to have a lifespan of roughly 15 to 30 years. Once a roadway pavement begins to degrade to a rating of ‘fair/poor’ condition, major rehabilitation projects are required. If major rehabilitation is not performed shortly after reaching this level of degradation, complete reconstruction is usually required. The difference in costs between major rehabilitation and reconstruction is significant, making it financially advantageous for a community to perform regular rehabilitation projects, thereby saving funds over the long term.

Based on a review of the City’s PMP, the resources are in place for the City to be able to assess which facilities have degraded from a ‘Good’ or ‘Satisfactory’ condition (when only preventative maintenance is required) to ‘Fair’ or ‘Poor’ condition, at which point rehabilitation projects may be required to restore the facility to ‘Good’ condition.

Types of Transportation Improvements Eligible for Funding

To deliver a transportation project a variety of elements are required. Each of the following is a common part of a typical transportation project and is also considered an eligible cost as defined by the TLGC, in addition to the construction work itself:

- Land acquisition costs associated with rights-of-way and easements,
- Engineering, Surveying, and/or Legal services,
- Financing charges,
- Administrative expenses,
- Other incidental expenses related to constructing, reconstructing, or improving the project.

The TLGC should be consulted for a comprehensive list of all eligible expenditures.

Conclusions and Recommendations

Based on the review and analysis of the items listed above, we offer the following conclusions and recommendations to the City of McKinney.

The TLGC allows for the use of EDC and CDC authorized funds to be utilized for eligible transportation projects. The City also has a set of Master Planning tools (its Comprehensive Plan, MTP, and Future Land Use Plan) adopted by City Council to help drive and direct transportation investments. The City regularly reviews its Pavement Management Plan to maximize the life span of its transportation assets.

Business enterprises currently within McKinney and business enterprises considering McKinney may use this foundation of planning tools to rely on a supporting transportation network. A supporting transportation network helps them to confidently make their own economic investments. These decisions promote and develop new and expanded business enterprises within the City of McKinney which help to the strengthen the economic base of the community.

Accordingly, it is our opinion that funds collected by the City on behalf of the MEDC and MCDC under the above referenced provisions of the TLGC could be utilized for the construction, reconstruction, and/or rehabilitation of transportation infrastructure facilities should the following three conditions below be satisfied:

1. Approval of eligible transportation infrastructure as an annual, ongoing “project” by the EDC and CDC Boards in accordance with their bylaws and the TLGC,
2. The transportation infrastructure project’s functional classification is:
 - Identified as a Principal Arterial, Major Arterial, Greenway Arterial, and/or Minor Arterial on the City’s Master Thoroughfare Plan, OR
 - Any functional classification transportation facility that provides direct access to, or an immediate connection to, one of the uses on the City’s Future Land Use Plan that the Boards’ find to be required or suitable to promote or develop new or expanded business enterprises. The list of these specific land use categories is provided in the section above.
3. The type of transportation infrastructure is:
 - The construction of a new or expanded roadway facility, OR
 - The total reconstruction of an existing roadway facility that is substandard, OR
 - The rehabilitation of a roadway facility (in accordance with the City’s Pavement Management Plan) that is intended to significantly extend the life span of the facility and moves the condition of the roadway from ‘Fair’ (or worse) to ‘Satisfactory’ (or better).

The set of conditions listed above allows for the City to regularly amend and update its Comprehensive Plan, MTP, Future Land Use Plan, Pavement Management Plan (and related Master Planning tools) without the need to develop and maintain a comprehensive list of eligible projects. City staff may also apply these criteria to available funds and assign them to targeted, eligible projects as designated in the Boards’ annual budget or bylaws.