

**THE ARGUMENT AGAINST AMENDING
THE COMPREHENSIVE ZONING ORDINANCE
TO REQUIRE SUPs FOR AUTOMOTIVE SALES
ON PROPERTIES WITH EXISTING BG, C, BC, ML and MH ZONING
AND RECOMMENDED ALTERNATIVES**

In response to City Staff's proposal to amend the Schedule of Uses (F-4) to require a Specific Use Permit ("SUP") in the BG, C, BC, ML and MH Districts for automobile (as well as motorcycle and boat) sales, I submit the following for consideration:

1. **Historically permitted use.** As noted in Staff's write-up on this matter, automobile sales have been a permitted use in the BG and C Districts for over 50 years. Significant investments in land and developed properties along U.S. 75 and Sam Rayburn Tollway ("SRT") have been made over those years, no doubt based on varying amounts of due diligence; but in virtually every instance, the acquisition decision was driven by the permitted uses allowed on a subject property. I suspect that every owner of property along those corridors has relied upon the uses permitted under the zoning classification of that property; as well as the historic precedent set by past Councils in honoring existing zoning and the accompanying permitted uses. **The SUP change proposed is a retroactive rezoning of historically permitted automotive uses without the landowner's consent.**

2. **No consistent application.** An SUP is the creation of Section 146-41 of the City's Code, the granting of which is *purely discretionary* with the City Council. There are no standards which, if met, would compel the Council to approve an SUP; hence, no one can ascertain in advance of Council action if a use requiring an SUP would be granted or, if granted, the performance conditions required. Being discretionary and without any set of standards, the probable result of the SUP experiment will be a lack of consistency in the development, if any, of automotive uses along the corridors resulting from a case-by-case determination of what Council "likes" or "dislikes" depending upon the make-up of the Council at the time of approval and the property owner applying. **Standards create consistency; discretion does not.**

3. **SUPs impose an unnecessary cost; no use protections.** Section 146-41 requires that an application for an SUP include a detailed site plan that includes such minutiae as size, location on site, exterior materials, landscaping, etc. – all matters that (i) impose a significant out-of-pocket cost without any certainty of success in obtaining the SUP and (ii) are redundant because the same are required during the site plan process prior to construction. SUPs (and the use rights covered thereby) *automatically terminate* if (i) a building permit is not secured within 12 months from the approval of the SUP or (ii) the building premises for which the SUP has been granted is vacated for a period in excess of 180 days. Further, Section 146-41 requires an owner to obtain a new SUP for any *enlargement, modification, structural alteration or otherwise significant change to a building, premises or land* (without better definition, a mere change of signage could be determined to be "significant") and that process would subject the owner to another costly effort to attempt to meet the *discretionary* approval of Council. I suppose one could imagine a situation where a dealer was required to improve its dealership in order to keep the manufacturer's flag and

if such effort failed, the owner could suffer the loss of its existing SUP if it could not find another manufacturer within 180 days. **Under the current zoning, the ability to continue the use remains indefinitely even if a new site plan is not approved.**

4. SUPs must be approved by Council; approval cannot be delegated. SUPs can only be approved by the City Council, which means that every automobile, motorcycle and boat dealership (new and used) in McKinney will be appearing before the Council at some time seeking approval of an SUP. Because Council's decision is discretionary, there is no ability to delegate the review and approval of an SUP to staff or the P&Z. The very discretion set up under the SUP process will inhibit creating a set of consistent standards for development and likely will subject members of the Council to the "politicalization" of many cases, polarizing constituents and business owners alike. **The SUP process will demand an inordinate amount of Council time, energy and negotiation without resulting in a set of development standards that can be applied consistently over time.**

5. Automobile dealerships are among the largest contributors to the City's tax and employment base.

a. Automobile dealerships are taxed on land, improvements and business personal property, as are other commercial properties within the City. In addition, automobile dealerships pay a vehicle inventory tax ("VIT"), as well as sales taxes on labor and parts.

b. A comparative analysis of the 2018 assessed values (land, improvements, business personal property and VIT) of automotive and non-automotive uses along U.S.75 reveals that, with the exception of Emerson Process Management and Best Buy, the 2018 assessed values of automobile dealerships along that corridor surpass the 2018 assessed values of non-automotive uses (See attached Schedule A).

c. In addition to ad valorem taxes, automobile dealerships contribute a significant amount of sales tax to the City from labor and parts sales. A case in point is Honda Cars of McKinney which collected almost \$850,000 in sales taxes in 2017 (represents approximately \$10,000,000 in taxable sales) and through September of 2018 has collected over \$661,700 in sales taxes. By contrast, Emerson Process Management contributes very little, if any, sales tax to the City. While information relating to sales tax collections by businesses is not readily available, it is unlikely that many non-auto retailers along the U.S. 75 corridor have taxable sales approaching \$10,000,000.

d. Automobile dealerships employ a significant number of people and pay a very good wage. Again, a case in point is Honda Cars of McKinney which employs on average 156 people with more than 58% of those employees making in excess of \$50,000 per year. Few retailers along the U.S. 75 corridor can boast that level of employment or base salary.

Under virtually any economic cost/benefit analysis involving automobile dealerships along the City's corridors, the value added to the City from tax dollars and employment generated by those automobile dealerships is impressive. Instead of being shoved to a back lot, the automobile dealerships should be embraced as valuable contributors to the City.

6. Alternative to revoking the currently permitted automotive use.

There is a very good alternative to revoking the currently permitted automotive use under BG, BC, MI and ML and replacing with an SUP. That alternative requires a little more time and attention to detail than just wiping the permitted use off and replacing it with a *purely discretionary* SUP process, but not a significant amount of additional time or effort. It involves looking at the objections raised about automobile dealerships in general and those situated along the U.S. 75 and Sam Rayburn Tollway corridors in particular, which are mainly aesthetic. That alternative also recognizes the value a city obtains through consistency in its application of existing zoning and avoids the pitfall of alienating future significant commercial contributors to our tax and employment base. While I am sensitive to Staff's comment that improvements to the development standards are best done during a complete re-write of the Ordinance, I think the creation and implementation of additional development standards for automotive use will not be long or cumbersome.

To begin the process, one must understand that the existing automobile dealerships will not be impacted by the proposed change in the zoning ordinance; and whatever objections one might have regarding the aesthetics of those properties, this "fix" will not "fix" the existing situation. The proposed zoning change will only affect properties on which future automobile dealerships might be built (interestingly, the latest additions to the automobile dealerships in the City, Audi and Mercedes, have received acclaim from members of the Council).

While Staff has opined that the current development standards for commercial properties along the corridors (including those related to automobile dealerships) are equal or superior to our neighbors, I believe there are additional standards that, if applied to automobile dealerships, could enhance their look and feel. Take a page out of the Audi and Mercedes playbooks – bring the main building closer to the street, limit the number of display spaces between the building and the street, enhance the landscaping within the parking areas in front of the building, restrict bay doors to a specified distance behind the front wall of the main building and relocate vehicle inventory to the rear and sides of the property, for example. To implement those additional standards would take little more time or effort than repealing and replacing the current permitted use and potentially would alleviate both the concerns of existing property owners having BG or C zoning and the commercial development community in general.

In addition, if the desire is to upgrade the look and feel of the existing dealerships, consider implementing an overlay that incorporates stricter architectural and site standards for remodels or renovations. Over time, you can bring the older dealerships up to the standards of the new.

Finally, take an informed look at the remaining undeveloped properties along the U.S. 75 and SRT corridors that have BG or C zoning. You will see that most of that undeveloped land is not suited for major retail or office development because it is either (i) too close to existing major retail to afford more of the same, or (ii) the configuration of the undeveloped land would not be conducive to development of large-scale office. For example, the assemblage on the west side of U.S. 75 at Wilmeth Road is too close to the retail developments at 380 to be viable for retail development, is already adjacent to automotive uses and is too deep for large-scale office development. The logical

alternative development for that assemblage, if not automobile dealerships, would be a garden office development similar to that on 380 across from Baylor Hospital; however, that type of development would generate nowhere near the ad valorem and sales tax revenue, or employ anywhere close to the number of persons compared to automobile dealerships. With proper development standards in place, that assemblage could be the location of additional high-end dealerships which would contribute significantly to the economic wellbeing of our City.

I urge you to be contemplative in your approach and not fall prey to a desire to take action without considering all of the consequences, intended and unintended.

**COLLIN CAD
AUTO
VIT, BPP & Real Property Values**

PROPERTY ADDRESS	DEALERSHIP	TOTAL REAL PROPERTY w/Improvements AV	TOTAL VIT AV	TOTAL BPP AV	TOTAL AV Real Property, VIT & BPP
<i>3350 S. Central Expwy</i>	Toyota	\$12,000,000.00	\$9,016,829.00	\$4,591,253.00	\$25,608,082.00
<i>2080 N. Central Expwy</i>	Mercedes	\$16,339,089.00	\$4,202,907.00	\$2,875,850.00	\$23,417,846.00
<i>2300 N. Central Expwy</i>	Chevy	\$10,600,000.00	\$10,587,846.00	\$1,041,135.00	\$22,228,981.00
<i>3800 S. Central Expwy</i>	Nissan	\$11,400,000.00	\$7,858,489.00	\$980,263.00	\$20,238,752.00
<i>601 S. Central Expwy</i>	Honda	\$9,855,000.00	\$7,931,585.00	\$1,902,171.00	\$19,688,756.00
<i>950 S. Central Expwy</i>	Ford	\$7,898,844.00	\$9,776,477.00	\$1,632,783.00	\$19,308,104.00
<i>3600 S. Central Expwy</i>	Volkswagen	\$6,350,000.00	\$1,617,344.00	\$5,868,611.00	\$13,835,955.00
<i>700 S. Central Expwy</i>	Dodge	\$5,812,300.00	\$6,112,854.00	\$1,085,307.00	\$13,010,461.00
<i>1301 N. Central Expwy</i>	Hyundai	\$10,272,687.00	\$1,008,423.00	\$612,497.00	\$11,893,607.00
<i>900 N. Central Expwy:</i>	Hopper	\$6,752,560.00	\$2,023,608.00	\$340,635.00	\$9,116,803.00
<i>3950 S. Central Expwy</i>	Buick		\$6,059,029.00	\$545,379.00	\$6,604,408.00
<i>1100 S. Central Expwy</i>	Subaru	\$3,050,000.00	\$2,734,027.00	\$572,063.00	\$6,356,090.00
<i>800 N. Central Expwy</i>	Fiat	\$2,650,000.00	\$2,748,034.00	\$276,700.00	\$5,674,734.00
<i>2150 N. Central Expwy</i>	Mazda	\$2,417,230.00	\$2,197,091.00	\$274,543.00	\$4,888,864.00
<i>1201 N. Central Expwy</i>	Kia		\$475,768.00	\$1,032,583.00	\$1,508,351.00

**COLLIN CAD
NON-AUTO
BPP & Real Property Values**

PROPERTY ADDRESS	STORE	TOTAL REAL PROPERTY WITH IMPROVEMENTS	TOTAL BPP AV	TOTAL REAL PROPERTY & BPP AV
<i>1751 N. Central Expressway</i>	Best Buy	\$24,637,500.00	\$1,791,146.00	\$26,428,646.00
<i>2051 Market Place Drive</i>	Emerson Process Management	\$26,079,430.00		\$26,079,430.00
<i>2025 N. Central Expressway</i>	Target	\$13,889,000.00	\$5,880,492.00	\$19,769,492.00
<i>2055 N. Central Expressway</i>	Lowe's	\$10,610,682.00	\$5,032,119.00	\$15,642,801.00
<i>1515 N. Central Expressway</i>	Home Depot	\$8,302,500.00	\$5,684,597.00	\$13,987,097.00
<i>3001 S. Central Expressway</i>	Kohl's	\$5,818,414.00	\$1,997,966.00	\$7,816,380.00
<i>2750 S. Central Expressway</i>	Belk	\$5,225,000.00	\$2,437,981.00	\$7,662,981.00
<i>208 N. Central Expressway</i>	Grocery	\$3,828,400.00	\$1,537,797.00	\$5,366,197.00
<i>321 N. Central Expressway</i>	Prosperity Bank	\$4,967,388.00	\$33,236.00	\$5,000,624.00