

# Community Revitalization Plan Briefing



Housing and Community  
Development Department  
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# PURPOSE

The purpose of this briefing is to provide an overview of the **Community Revitalization Plan (CRP)** process through TDHCA and the possible benefits for the City of McKinney



# WHAT IS IT?



The Texas Department of Housing and Community Affairs (TDHCA) allows cities to designate revitalization areas, outside of “high opportunity areas”, in which developments may be eligible to receive additional points on the competitive 9% Low-Income Housing Tax Credit (LIHTC) application



# WHY IS BELOW MARKET RATE HOUSING NEEDED?

## Single-family home prices in McKinney

July	7/1/11 - 6/30/12	7/1/12 - 6/30/13	7/1/13- 6/30/14	7/1/14 - 6/30/15	7/1/15 - 6/30/16
New Listings	3,502	3,983	4,243	4,280	4,655
Closed Sales	2,593	3,283	3,670	3,838	3,803
Median Sales Price	\$185,000	\$208,900	\$231,000	\$261,450	\$280,000
% of List Price	95%	97.5%	98.1%	98.8%	99.7%

Source: Collin County Association of Realtors

# WHY IS BELOW MARKET RATE HOUSING NEEDED?

## Multifamily housing in McKinney

- There are 1,992 below market rate apartment units in McKinney
  - Of these, 1,006 have fulfilled the compliance period (15 years or more) and can be converted to market rate units

# WHY 9% TAX CREDITS?



- The developers use the *equity* capital generated from the sale of the *tax credits* to lower the debt burden on *tax credit* properties, making it easier to offer lower, more affordable rents.
- *Investors*, such as banks, purchase the *tax credits* to lower their federal *tax* liability.



# WHY IS CRP NEEDED?



- Without the Community Revitalization Plan (CRP), the McKinney Housing Authority properties will not qualify for 9% tax credits.
- This would leave 4% tax credit option (similar to Newsome Homes) and project will experience a funding gap



# 4% vs 9% Tax Credits

<b>Merritt Homes Financing Comparison</b>	<b>Newsome Homes 4% LIHTC as the Baseline</b>
<b>Total Units</b>	<b>180</b>
<b>RAD Units</b>	<b>64</b>
<b>Requires CRP</b>	<b>No</b>
<b><u>Uses</u></b>	
<b>Land/Demo</b>	<b>450,000</b>
<b>Construction Costs</b>	<b>14,750,000</b>
<b>Soft Costs</b>	<b>7,900,000</b>
<b>Total Uses</b>	<b>\$23,100,000</b>
<b><u>Sources</u></b>	
<b>Perm Loan</b>	<b>10,425,000</b>
<b>Tax Credit Equity</b>	<b>8,575,000</b>
<b>City Commitment</b>	<b>2,150,000</b>
<b>Other Gap Funding Required</b>	<b>1,950,000</b>
<b>Total Sources</b>	<b>\$23,100,000</b>

<b>Merritt 9% LIHTC 2017</b>	<b>Merritt 4% LIHTC 2017</b>
<b>136</b>	<b>136</b>
<b>86</b>	<b>86</b>
<b>Yes</b>	<b>No</b>
<b>750,000</b>	<b>750,000</b>
<b>12,250,000</b>	<b>12,250,000</b>
<b>6,350,000</b>	<b>6,650,000</b>
<b>\$19,350,000</b>	<b>\$19,650,000</b>
<b>4,350,000</b>	<b>5,585,000</b>
<b>14,998,500</b>	<b>7,300,000</b>
<b>1,500</b>	<b>5,365,000</b>
<b>0</b>	<b>1,400,000</b>
<b>\$19,350,000</b>	<b>\$19,650,000</b>



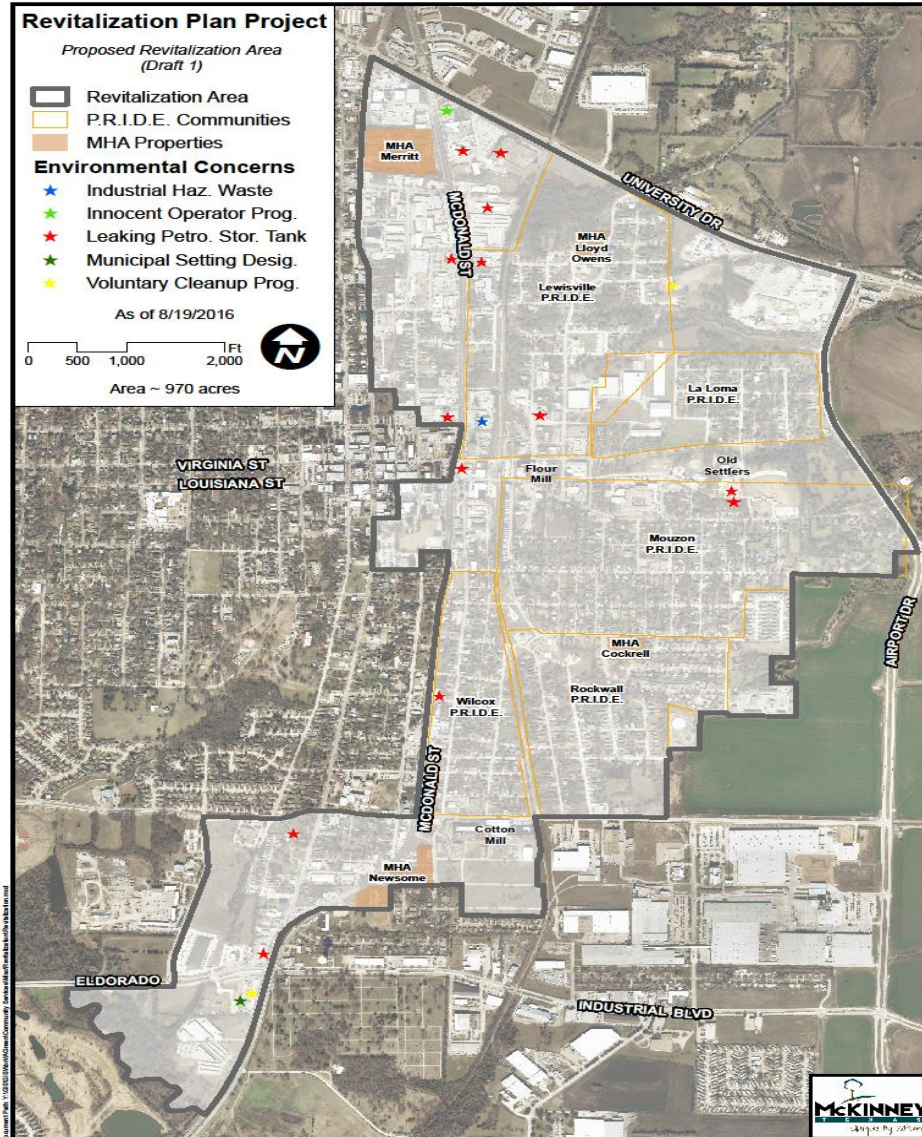
# WHERE IS IT?



Staff has proposed boundaries for the Community Revitalization Plan (CRP) area based loosely on the Town Center Plan and encompassing target redevelopment areas



# PROPOSED REVITALIZATION AREA





# The Community Revitalization Plan (CRP) must address 5 of 8 factors:

- Adverse environmental conditions – natural or man-made
- Presence of blight which may include obsolete land use
- Presence of inadequate transportation or infrastructure
- Lack of accessibility and/or presence of inadequate health care facilities
- The presence of significant crime
- The poor condition or low performance of public education
- Lack of local businesses providing employment opportunities
- Efforts to promote diversity including intergenerational or economic diversity



# The Community Revitalization Plan (CRP) must have local funding committed to it:



Any City money spent in the previous four years, within the designated boundary, on one of the factors being addressed, counts toward this . Points will be awarded based on:

- Applications will receive four (4) points if the applicable target area of the community revitalization plan has a total budget or projected economic value of \$6,000,000 or greater; or
- Applications will receive two (2) points if the applicable target area of the community revitalization plan has a total budget or projected economic value of at least \$4,000,000; and
- Applications may receive an additional (2) points in addition to this clause if the Development is explicitly identified by the City (by Resolution) as contributing most significantly to the concerted revitalization efforts of the city. A City may only identify one single Development during each Application Round for the additional points under this sub-clause.



# Benefits to the City of McKinney



- City has the ability to designate targeted development areas
- City Council does not have to support developments simply because they are within the boundaries of the CRP
- TDHCA funding and tax credits may be used for the development of single family and multifamily housing, a mix of market rate and affordable, as well as a funding source for mixed use property development
- 9% competitive LIHTC funds provide for greater investor equity into an affordable housing development (thus decreasing the need for outside funding) vs the 4% non-competitive, tax exempt bonds
- The proposed boundaries of the CRP include future McKinney Housing Authority properties to be redeveloped







# Next Steps

- If requested, the Community Revitalization Plan (CRP) will be brought back to City Council for further consideration and approval before January 1, 2017 so that it may be utilized for Merritt Homes applying for tax credits in the upcoming 9% tax credit funding cycle

