Appendix A:
Economic Assessment

Organizations & Groups Represented

- The City of McKinney
- The McKinney Economic Development Corporation
- The McKinney Chamber of Commerce
- The McKinney Community Development Corporation
- Medical Center of McKinney
- Methodist McKinney
- Baylor McKinney
- Collin College
- McKinney Independent School District
- Encore Wire
- Emerson
- Tenant Tracker
- RMCN Credit Services
- Loco Cowpoke
- Young professionals
- Brokers & developers

The primary goal for the following assessment is to arrive at a common understanding of McKinney's unique economic strengths, weaknesses, opportunities, and threats. This analysis is expressed in the context of the metropolitan, regional, and national economies as a means for understanding the community's relative position and highlighting its latent and potential competitive advantages.

TIP has drawn upon our knowledge of current economic and demographic trends affecting the Dallas-Ft Worth region, as well as our experience working in areas throughout the nation. We have applied this knowledge and experience to both qualitative and quantitative analysis methods for developing a full understanding of the McKinney economy, including specific barriers to growth and development.

We based our findings on the following elements:

- A review of relevant studies, plans, and other material provided by the City of McKinney, the McKinney Economic Development Corporation, and others;
- A review of economic and demographic data from primary and secondary sources, including population growth, migration and commuting patterns, employment distribution and growth, housing patterns, and sales trends (included within this data assessment);
- Tours of McKinney from a development and land-use perspective

INPUT > For any plan to be effective, it must respond to the needs of those who will be affected by the plan (residents and businesses) and to the community leaders charged with its implementation. Throughout the Discovery phase, we capitalized on opportunities presented by interviews and focus groups to solicit input from key stakeholders. In addition to the individual business and community leaders who gave their valuable time to participate in this process, TIP would like to thank representatives of the organizations listed in the adjacent text box.

ASSESSMENT > After reviewing past plans and studies and meeting with local partners and interested parties, we completed a targeted analysis of demographic and economic factors that are of greatest concern to business leaders, site selectors, and other economic decision makers. This assessment included an analysis of:

Demographics

- Population and demographic patterns
- Age structure
- Housing and income

Economy & Workforce

- Job growth
- Industry employment
    - Office
    - Industrial
    - Tourism-related
- Educational attainment
- Occupational distribution
- Salaries

Other

- Municipal tax and debt profile
- Tax base

We examined this data in the context of McKinney's local and national peers to better understand how McKinney is positioned among its "competitors."

SWOT

TIP conducted a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis for McKinney to create a framework for understanding the area’s issues. This assessment was based on interviews, site visits, data analysis, and our experience. The table below captures the major findings of this analysis.

STRENGTHS	WEAKNESSES
▪ Strong population growth ▪ Young, highly educated residents ▪ Diversified industrial base ▪ Excellent land inventory ▪ Natural and physical amenities ▪ Historic downtown ▪ Availability of incentives ▪ CCRA ▪ Reverse commute for north Dallas workers ▪ Strong school district ▪ Higher education opportunities ▪ Growing healthcare sector ▪ County seat	▪ Job migration ▪ Tax base skewed towards residential property ▪ Distance from DFW a perceived disadvantage ▪ Development process inconsistent and unpredictable ▪ City planning initiatives not coordinated with economic development goals ▪ Lack of clarity in city zoning practices and overuse of PDs ▪ Demographics east of 75 not favorable to attracting high-end retailers ▪ Retail development in neighboring communities limiting feasibility of new retail development in McKinney
THREATS	**OPPORTUNITIES**
▪ Talent mobility throughout Metroplex ▪ Traffic can become deterrent to talent & business recruitment ▪ Business climate in surrounding communities more favorable ▪ Becoming a bedroom community ▪ Growth pressures on McKinney ISD	▪ Increase self-sufficiency / decrease dependency on Dallas ▪ Differentiate McKinney from other Collin County communities ▪ Be more selective of economic development opportunities ▪ Create employment opportunities for residents and outlying communities ▪ Leverage the expansion of CCRA to increase tax base and create jobs ▪ Promote downtown

Benchmark Selection

The cities selected as benchmarks for McKinney all represent similarly sized affluent outer suburbs of major metropolitan areas. All have large enough job bases that they can be considered important satellite job centers for their metropolitan regions rather than just bedroom suburbs. Three of the benchmarks (Allen, Frisco, and Plano) lie in the Dallas-Fort Worth metroplex, while the other three (Alpharetta, GA; Chandler, AZ; and Walnut Creek, CA) are outer suburbs of Atlanta, Phoenix, and the San Francisco Bay Area, respectively.

McKINNEY IN CONTEXT

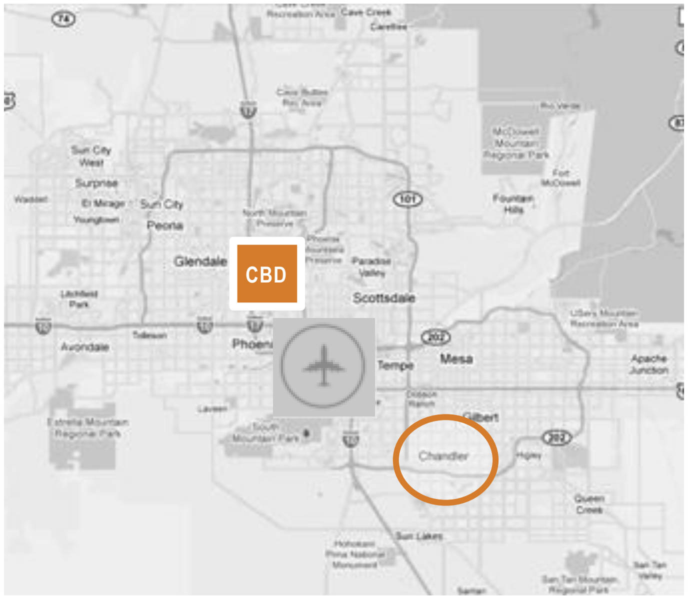
Benchmark selection

	City	State	Metropolitan Area	Metropolitan Population	Outer suburb	Affluent	Employment Center
🟨	Walnut Creek	California	San Francisco Bay Area	7.4 million	✓	✓	✓
🟦	Plano	Texas	Dallas-Fort Worth	6.8 million	✓	✓	✓
▶	**McKinney**	**Texas**	**Dallas-Fort Worth**	**6.8 million**	✓	✓	✓
🟦	Frisco	Texas	Dallas-Fort Worth	6.8 million	✓	✓	✓
🟦	Allen	Texas	Dallas-Fort Worth	6.8 million	✓	✓	✓
🟫	Alpharetta	Georgia	Atlanta	5.8 million	✓	✓	✓
🟧	Chandler	Arizona	Phoenix	4.4 million	✓	✓	✓

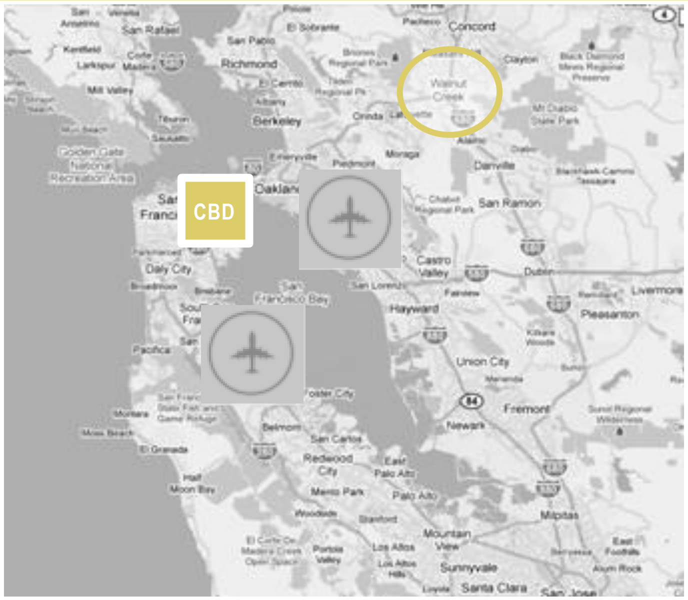
SOURCE: *TIP Strategies* ; *U.S. Census Bureau (Intercensal Estimates Program, 2009)*

DALLAS-FORT WORTH

PHOENIX



SAN FRANCISCO BAY AREA



ATLANTA

Demographics

Because of its rapid growth, estimates of McKinney's population vary considerably. To ensure comparability of population estimates across all benchmark cities in four different states, we have relied upon the U.S. Census Bureau's mid-year estimates. Based on these estimates, two of the benchmarks (Plano and Chandler) are larger in size than McKinney, while the other four (Frisco, Allen, Walnut Creek, and Alpharetta) have smaller populations.

McKINNEY IN CONTEXT

City populations

City	State	Population*
Plano	Texas	267,480
Chandler	Arizona	247,140
▶ **McKinney**	**Texas**	**121,211**
Frisco	Texas	96,676
Allen	Texas	81,268
Walnut Creek	Georgia	63,486
Alpharetta	California	49,903

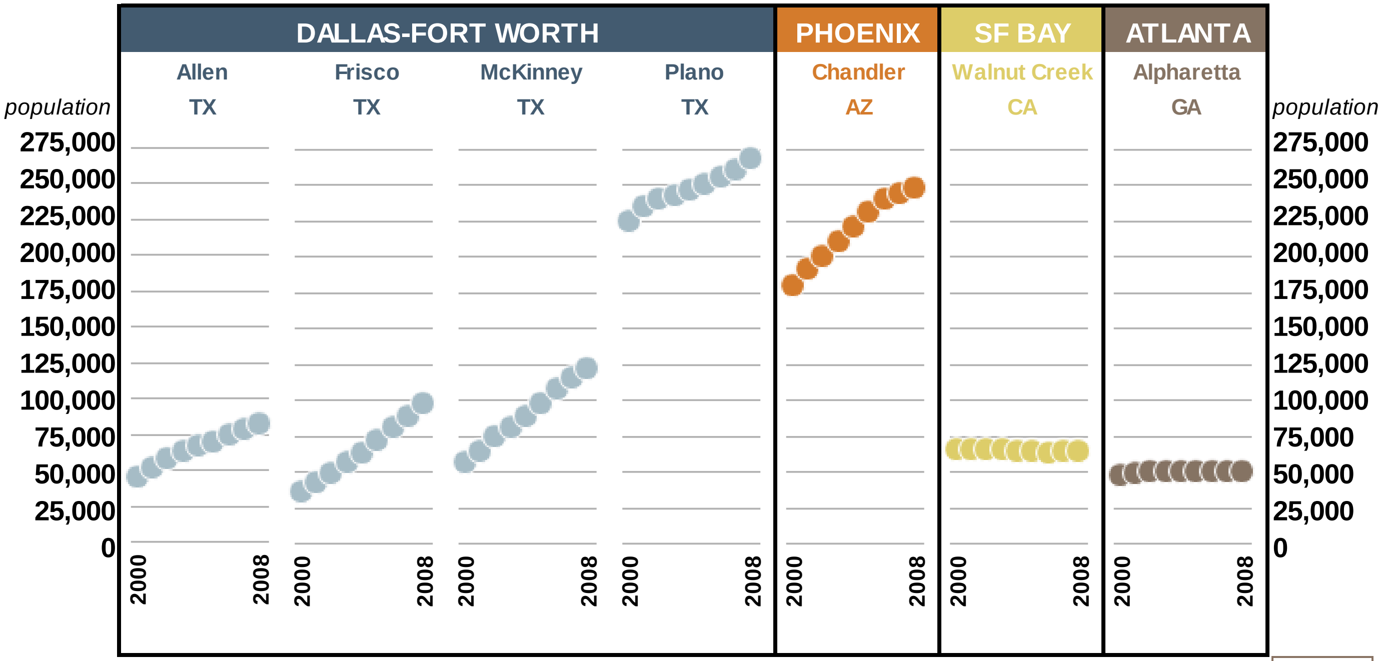
SOURCE: *U.S. Census Bureau (Intercensal Estimates Program)*

** The latest 2008 Census estimates are used here to ensure comparability across estimates*

All of the four Dallas suburbs we reviewed, including McKinney, have grown rapidly since the 2000 Census, as has Chandler. Walnut Creek and Alpharetta have held steadier in population.

McKINNEY IN CONTEXT

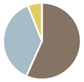
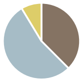
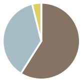
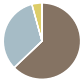
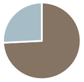
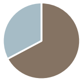
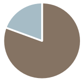
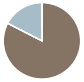
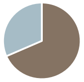
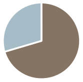
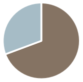
City populations since the 2000 Census



SOURCE: *U.S. Census Bureau (Decennial Census, Intercensal Estimates Program); TIP Strategies, Inc.*

McKINNEY IN CONTEXT

Demographic comparison

	DALLAS-FORT WORTH				PHOENIX	SF BAY AREA	ATLANTA
	McKinney	**Plano**	**Frisco**	**Allen**	**Chandler**	**Walnut Creek**	**Alpharetta**
Education Level							
4-year degree or higher 🟫	42% 	53% 	57% 	47% 	38% 	59% 	63% 
High school or GED 🟦	49%	39%	37%	47%	54%	37%	33%
Lacking HS equivalency 🟨	9%	8%	6%	6%	9%	4%	4%
Household Profile							
Persons per household	3.0	2.8	3.0	3.1	2.8	2.1	2.7
Median household income	$79,117	$84,319	$101,793	$93,688	$70,924	$81,297	$98,535
Median home value	$188,200	$208,700	$244,600	$185,800	$298,600	$656,400	$340,500
Affordability ratio*	2.4	2.5	2.4	2.0	4.2	8.1	3.5
Home							
Owner 🟫	74% 	67% 	81% 	83% 	68% 	70% 	69% 
Renter 🟦	26%	33%	19%	17%	32%	30%	31%
Military service*							
Civilian veteran	8%	8%	6%	8%	9%	11%	7%
Currently in uniform	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Primary language							
English	81%	70%	79%	79%	79%	78%	81%
Spanish	13%	13%	11%	7%	13%	5%	6%
Other	5%	18%	10%	14%	8%	17%	13%
Citizenship							
US-born	87%	77%	86%	85%	87%	81%	83%
Naturalized citizen	5%	8%	6%	5%	5%	11%	5%
Not yet a citizen	8%	14%	8%	10%	8%	8%	12%

** The affordability ratio is the median home value divided by the median household income. The "ratio" equates the home prices to raw earning potential (experessed in years of gross income needed to pay for the home). The lower the number, the more affordable the housing.*

*** "Military service" is calculated on the population age 18 or older*

SOURCES: *U.S. Census Bureau (American Community Survey, 2006-2008 average)*

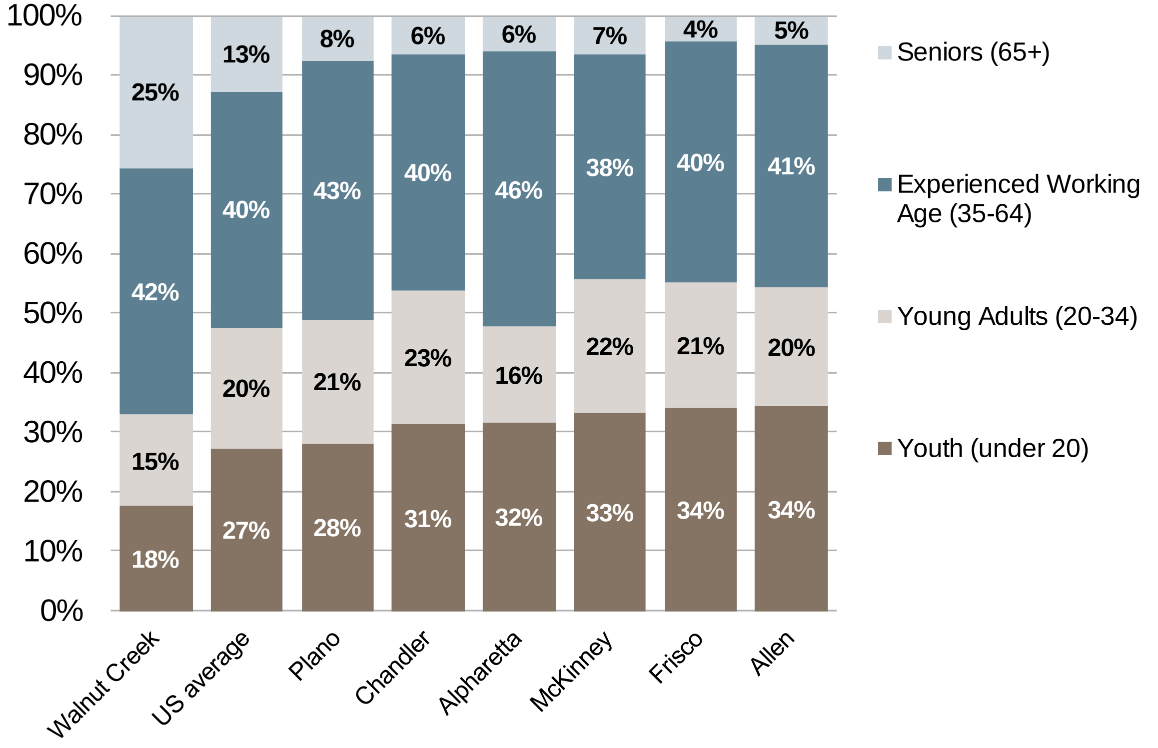
The above exhibit provides a general socio-demographic comparison of McKinney to its benchmarks. All have above-average levels of educational attainment. In four of the benchmark cities (Plano, Frisco, Walnut Creek, and Alpharetta), more than half the adult residents have college degrees – roughly double the national average. However, McKinney lags its peers, with the exception of Chandler, in terms of adult residents with college degrees.

Median incomes in McKinney and the nearby Dallas suburbs are equal to, if not higher than, the benchmarks in California, Arizona, and Georgia. However, McKinney's median income is the lowest of its Dallas peers. Median home prices in the Dallas suburbs are comparatively lower than the out-of-state suburbs, too. With the exception of Allen, McKinney's median home price is the lowest of its peers. The combination of comparable incomes and lower home prices gives McKinney and its local peers a sharp affordability advantage over the out of state benchmarks.

McKinney and most of its peers tend to be slightly younger than the U.S. average. Of the benchmarks we reviewed, Walnut Creek was the only exception. The age distribution of the population in McKinney and its peer communities (except Walnut Creek) indicate their attractiveness to families.

McKINNEY IN CONTEXT

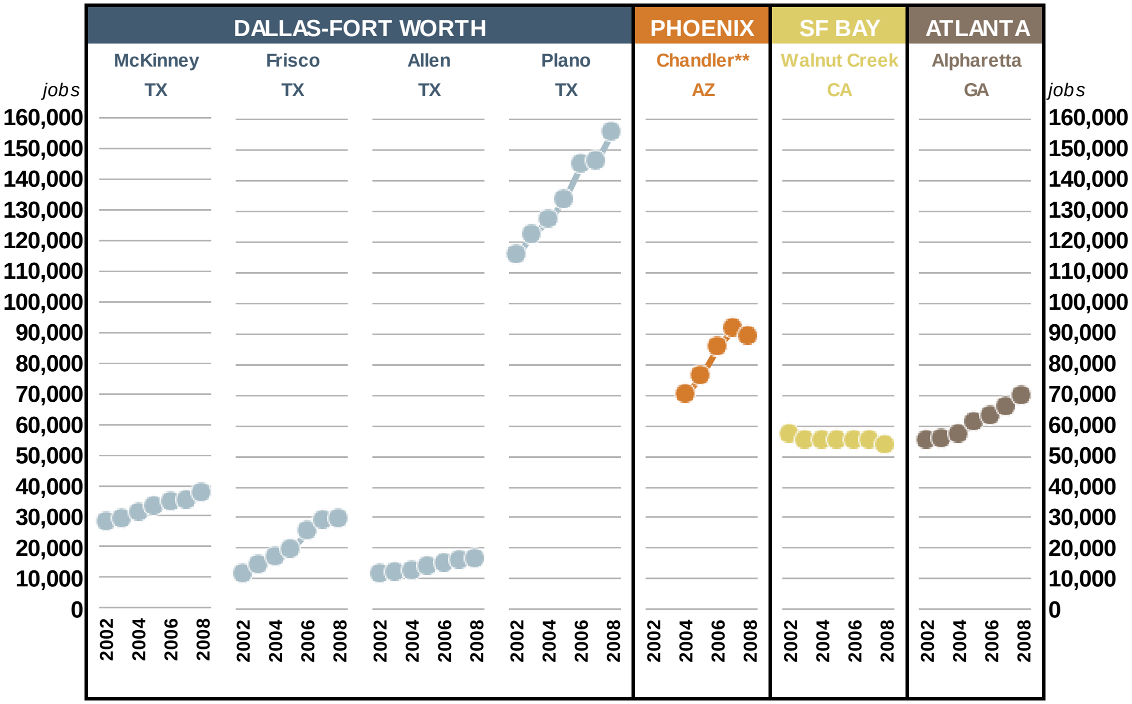
Population distribution



SOURCE: *U.S. Census Bureau (Decennial Census, Intercensal Estimates Program)*

McKINNEY IN CONTEXT

Total jobs, 2002-2008*



SOURCE: *U.S. Census Bureau (Local Employment Dynamics Origin-Destination Database)*

**jobs based on place-of-work location, not on household location*

***Chandler data unavailable for 2002 and 2003*

Economy & Workforce

Between 2002 and 2008, jobs were added at a rapid pace in McKinney and all of the benchmark cities except Walnut Creek. Plano and Chandler, in particular, added jobs at a fast pace during most of these years.

The ratio of local jobs to resident population varies significantly across the benchmark cities. Alpharetta, for example, is home to more jobs than residents, implying a very high level of inbound commuting (unusual for a suburb). Walnut Creek and Plano, also with high ratios, are home to more than 50 jobs per 100 residents. Chandler and Frisco are closest to McKinney in terms of job density, with roughly 30+ jobs per 100 residents.

McKINNEY IN CONTEXT

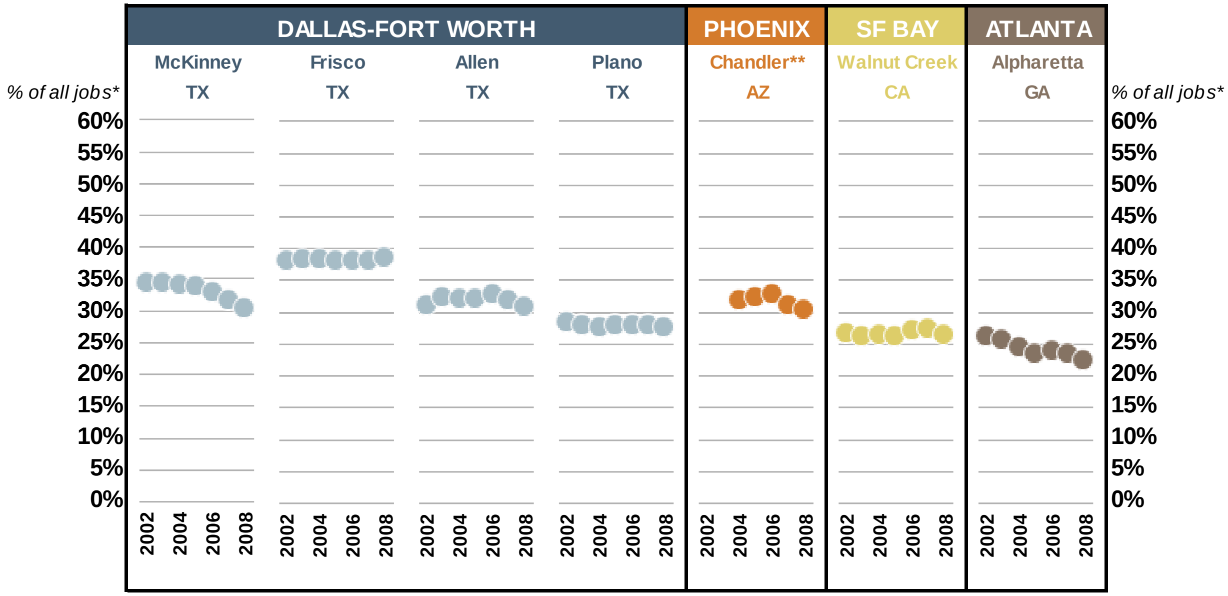
Job Density

City	State	Population*	Jobs	Jobs per 100 Residents
Alpharetta	Georgia	49,903	69,330	139
Walnut Creek	California	63,486	53,569	84
Plano	Texas	267,480	155,691	58
Chandler	Arizona	247,140	89,136	36
▸ **McKinney**	**Texas**	**121,211**	**37,731**	**31**
Frisco	Texas	96,676	29,396	30
Allen	Texas	81,268	16,578	20

SOURCE: *U.S. Census Bureau (Intercensal Estimates Program, and Local Employment Dynamics Origin-Destination Database)*

McKINNEY IN CONTEXT

Share of jobs* staffed by individuals under the age of 30



SOURCE: *U.S. Census Bureau (Local Employment Dynamics Origin-Destination Database)*

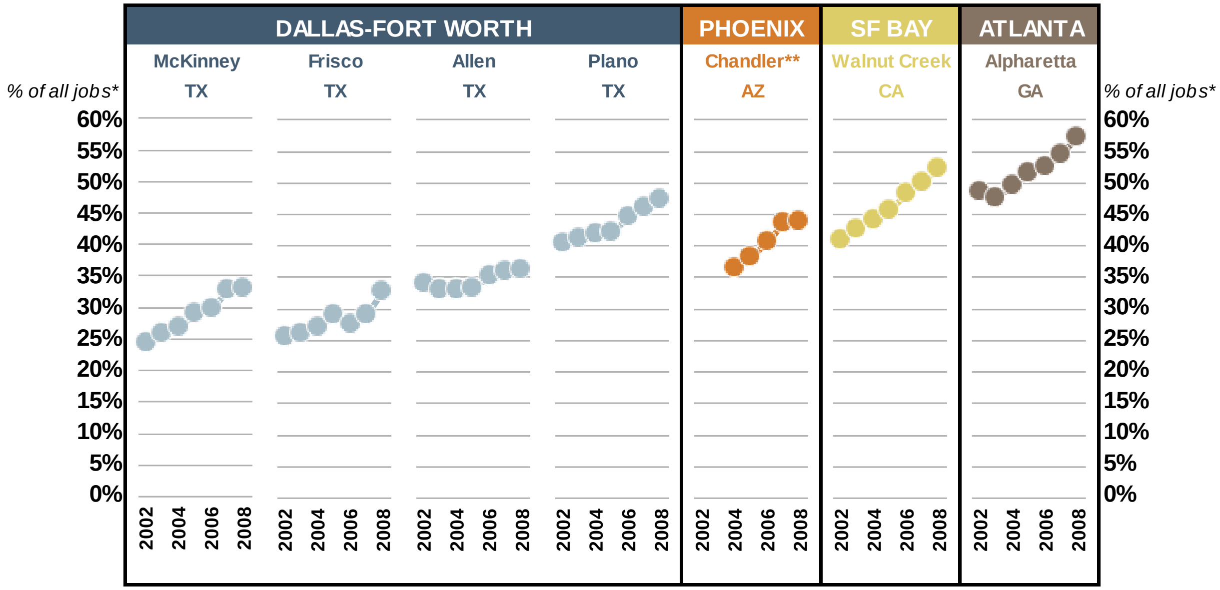
**jobs based on place-of-work location, not on household location*

***Chandler data unavailable for 2002 and 2003*

In McKinney and its peers, the share of the workforce under the age of 30 is holding steady at best, and declining in some areas. Part of this can be tied back to national demographic patterns, part of it to the local job or industry mix, and part of it to the exurban effect of these outer suburban areas being less attractive to single 20-something workers. Whatever the cause, McKinney (30% under 30 in 2008) ranked near the median among its peers. Frisco (39%) had the highest share of workers under the age of 30, while Alpharetta (22%) had the lowest.

McKINNEY IN CONTEXT

Share of jobs* paying more than $40,000/year



SOURCE: *U.S. Census Bureau (Local Employment Dynamics Origin-Destination Database)*

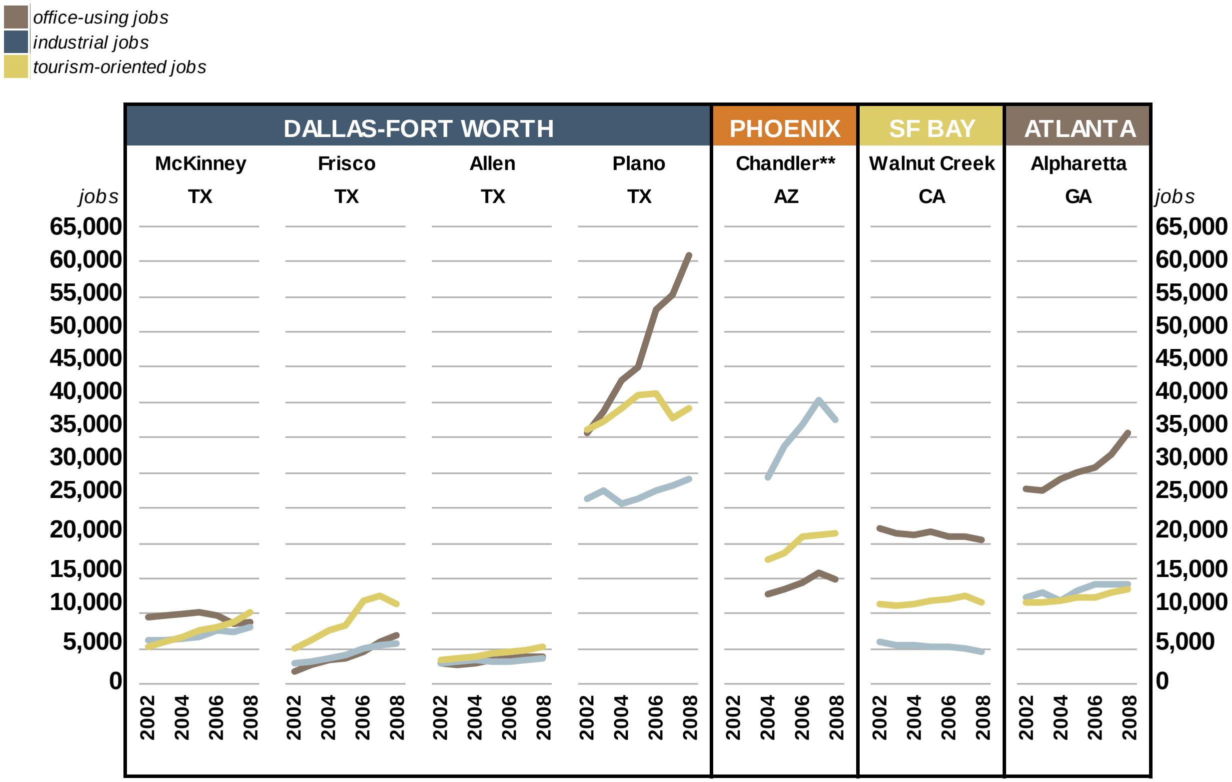
**jobs based on place-of-work location, not on household location*

***Chandler data unavailable for 2002 and 2003*

The outlook for job earnings in McKinney and its peers improved significantly in the years leading up to the recent recession. In McKinney and in the benchmark cities, higher paying jobs rose as an overall percentage of the local employment base. In McKinney, Frisco, and Allen, at least one-third of all local jobs paid $40,000 or more in 2008. In Plano and Chandler, this share approached 50%, and in Alpharetta and Walnut Creek, more than half of local jobs paid $40,000 or more by 2008.

McKINNEY IN CONTEXT

Total jobs, 2002-2008*



SOURCE: *U.S. Census Bureau (Local Employment Dynamics Origin-Destination Database)*

**jobs based on place-of-work location, not on household location*

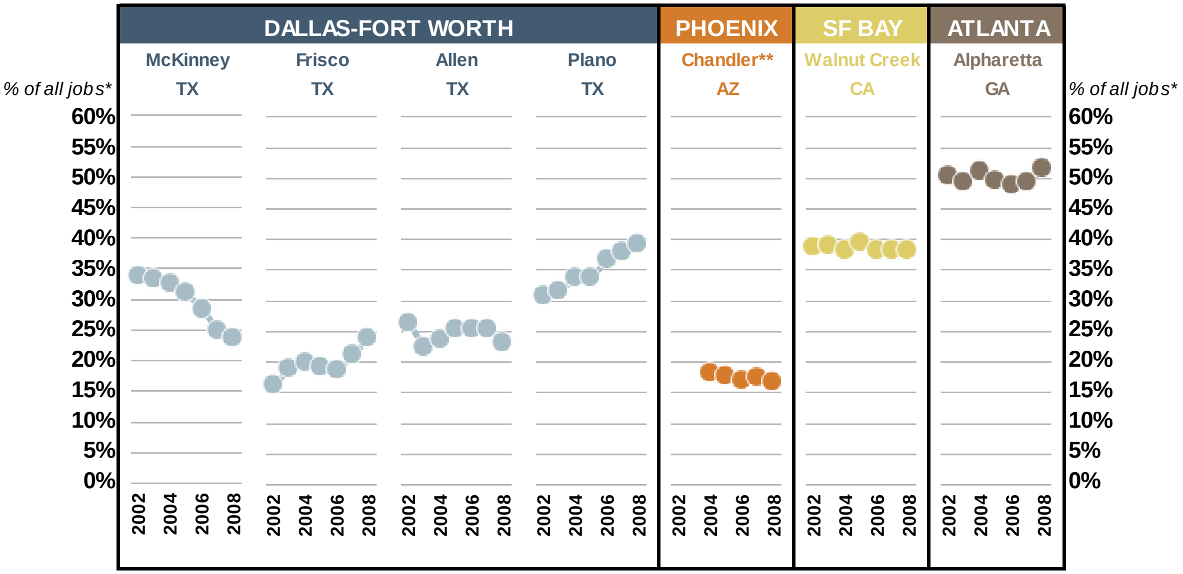
***Chandler data unavailable for 2002 and 2003*

NOTE: *For these estimates, TIP Strategies has defined* ***office-using employment*** *as 100% of the following sectors (information/media, finance/insurance, real estate; professional services; and corporate services), plus lesser shares of these sectors (75% of public administration, excluding schools; and 50% of support services, transportation, utilities, and oil/gas/energy);* ***industrial employment*** *is defined as 100% of the following sectors (construction, manufacturing, wholesale trade), plus lesser shares of these sectors (50% of oil/gas/mining, utilities, & transportation);* ***tourism-oriented employment*** *is defined as 100% of the following sectors (retail trade; accommodation/food services; and arts/entertainment/recreation)*

As of 2008, McKinney's job base split fairly evenly across major work categories. Industrial jobs like construction, manufacturing, and distribution accounted for about 8,000 workers. Another 9,000 worked in offices, while about 10,000 were employed in service or tourism-oriented jobs like retail stores, restaurants, and hotels. The distinctions between these three groups are important from a real estate and land-use perspective. Of the other benchmark cities, Allen was the only one where the jobs were split this evenly across these three major groups. Plano was particularly notable in the 2002-2008 period because its office-using jobs increased dramatically, while industrial and tourism-related jobs were relatively stable.

McKINNEY IN CONTEXT

Share of jobs* that are in office-using industries



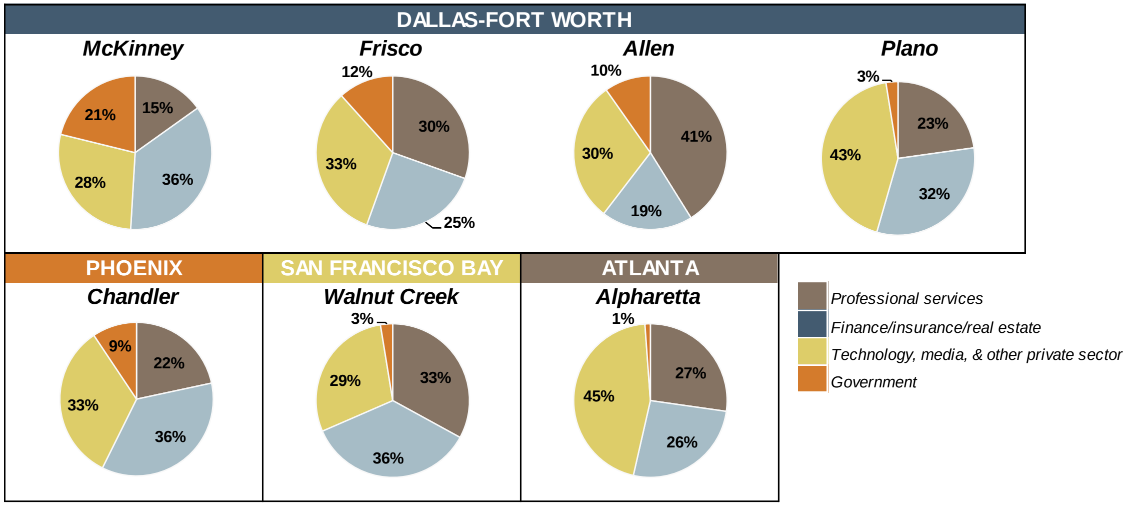
SOURCE: U.S. Census Bureau (Local Employment Dynamics Origin-Destination Database)

**jobs based on place-of-work location, not on household location*

***Chandler data unavailable for 2002 and 2003*

NOTE: For these estimates, TIP Strategies has defined office-using employment as 100% of the following sectors (information/media, finance/insurance, real estate; professional services; and corporate services), plus lesser shares of these sectors (75% of public administration, excluding schools; and 50% of support services, transportation, utilities, and oil/gas/energy)

Composition of office employment, 2008*



SOURCE: U.S. Census Bureau (Local Employment Dynamics Origin-Destination Database); TIP Strategies, Inc.

**jobs based on place-of-work location, not on household location*

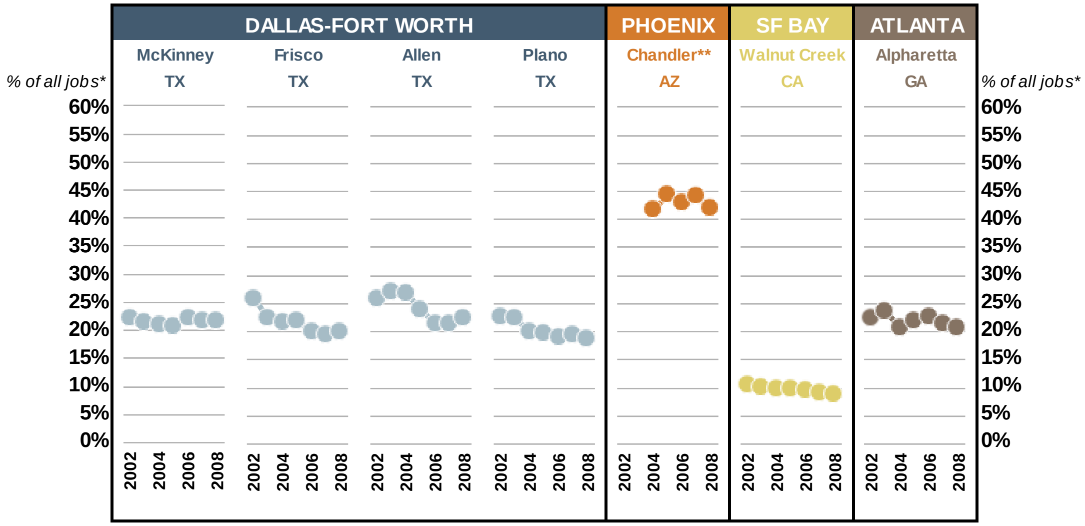
NOTE: For these estimates, TIP Strategies has defined office-using employment as 100% of the following sectors (information/media, finance/insurance, real estate; professional services; and corporate services), plus lesser shares of these sectors (75% of public administration, excluding schools; and 50% of support services, transportation, utilities, and oil/gas/energy)

Between 2002 and 2008, office-using jobs in McKinney hovered in the 9,000 to 10,000 range without showing any net growth over the six-year period. Because *overall* employment in McKinney grew briskly during this same period, this means that office-using jobs as a share of the local employment base fell from 34% in 2002 to 24% in 2008. As of 2002, McKinney's local economy was significantly more anchored in office-using jobs than was Frisco or Allen, but by 2008 the three cities each had about the same share of their job bases in office-using employment.

Differences in the composition of office-using employment can be noted between McKinney and the other benchmark cities. Unlike its peers, McKinney is a county seat and is more reliant on the government sector. In terms of private sector jobs, only about 15% of McKinney's office-using jobs are in professional services, far less than some of its peers like Allen (41%) and Walnut Creek (33%). McKinney also has fewer jobs in the technology, media, and other category.

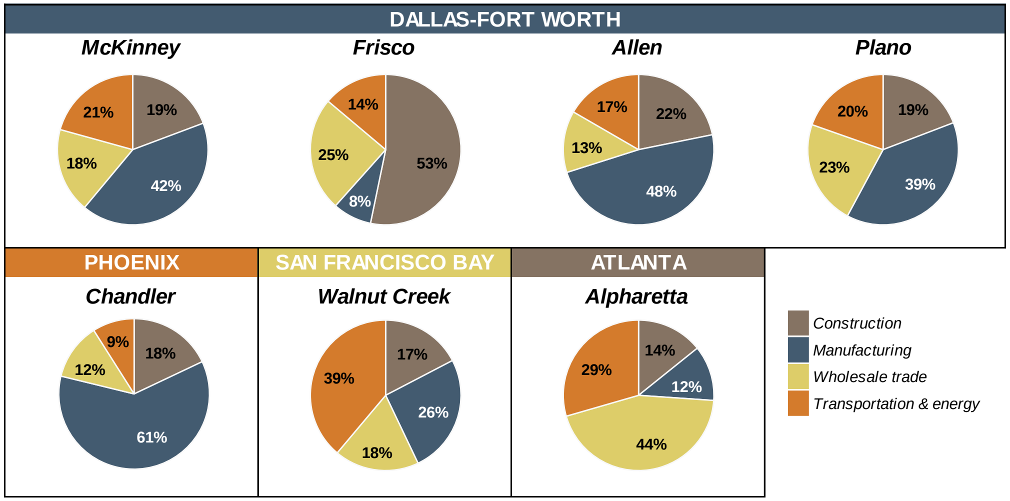
McKINNEY IN CONTEXT

Share of jobs* that are in industrial activities



SOURCE: *U.S. Census Bureau (Local Employment Dynamics Origin-Destination Database)*
**jobs based on place-of-work location, not on household location*
***Chandler data unavailable for 2002 and 2003*
NOTE: *For these estimates, TIP Strategies has defined industrial employment as 100% of the following sectors (construction, manufacturing, wholesale trade), plus lesser shares of these sectors (50% of oil/gas/mining, utilities, & transportation)*

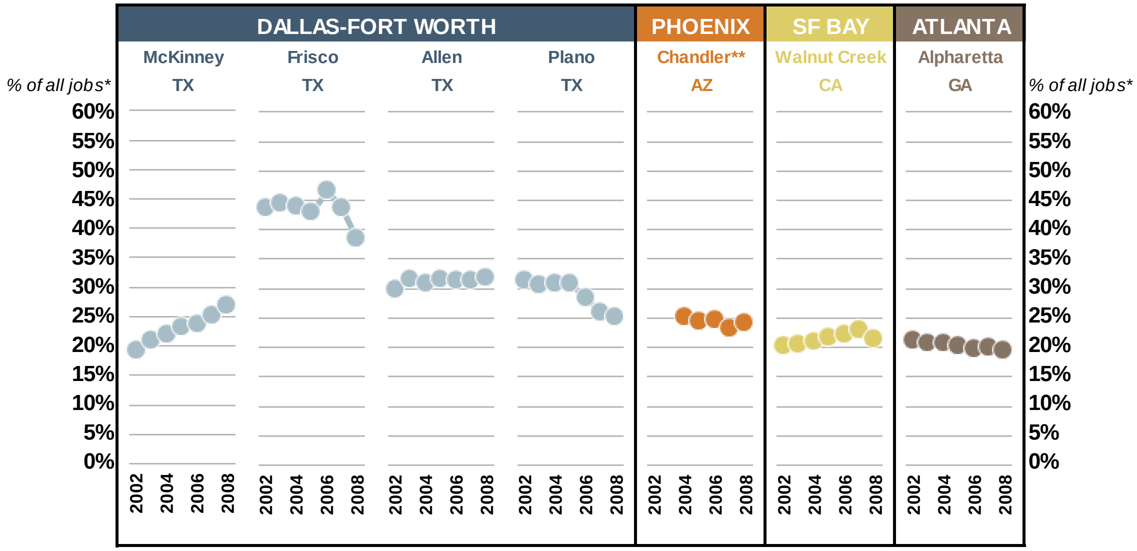
Composition of industrial employment, 2008*



SOURCE: *U.S. Census Bureau (Local Employment Dynamics Origin-Destination Database); TIP Strategies, Inc.*
**jobs based on place-of-work location, not on household location*
NOTE: *For these estimates, TIP Strategies has defined industrial employment as 100% of the following sectors (construction, manufacturing, wholesale trade), plus lesser shares of these sectors (50% of oil/gas/mining, utilities, & transportation)*

In percentage terms, industrial changed very little as a share of the local employment base in McKinney and virtually all of its peers, too. The composition of industrial employment, however, did differ significantly across cities. Chandler has a strong job base in semiconductor-related activities, and thus, manufacturing jobs make up more than 60% of all industrial jobs in that city – more than McKinney or any of its peers. While manufacturing is the most important component of McKinney's industrial jobs, the overall share (42%) is not as large as Chandler's. Other cities have different industrial drivers. In Frisco, 53% of industrial jobs are in construction, while in Alpharetta 44% are in wholesale trade.

Share of jobs* that are in tourism-related activities



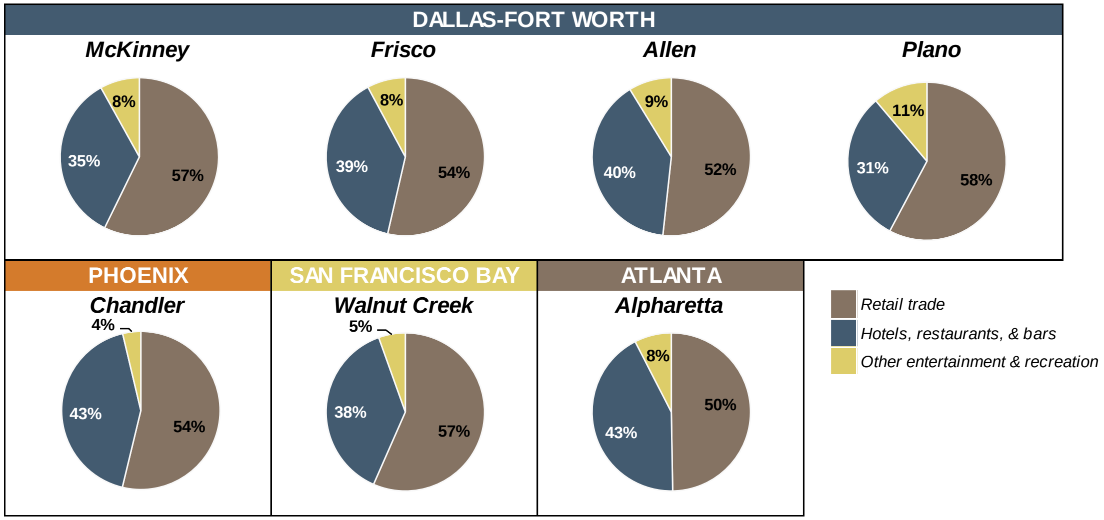
SOURCE: *U.S. Census Bureau (Local Employment Dynamics Origin-Destination Database)*

**jobs based on place-of-work location, not on household location*

***Chandler data unavailable for 2002 and 2003*

NOTE: *For these estimates, TIP Strategies has defined tourism-oriented employment as 100% of the following sectors (retail trade; accommodation/food services; and arts/entertainment/recreation)*

Composition of tourism-related employment, 2008*



SOURCE: *U.S. Census Bureau (Local Employment Dynamics Origin-Destination Database); TIP Strategies, Inc.*

**jobs based on place-of-work location, not on household location*

NOTE: *For these estimates, TIP Strategies has defined tourism-oriented employment as 100% of the following sectors (retail trade; accommodation/food services; and arts/entertainment/recreation)*

While office-using jobs declined as a share of McKinney's total employment and the share of industrial jobs held steady, service/tourism-oriented employment rose from 19% to 27% of the city's overall job base during the 2002-2008 period. None of McKinney's peers saw an increase that steep. In Frisco, a new mall and ancillary retail development early in the decade led to a spike in tourism-oriented employment. Frisco later saw a shift toward other types of development, and this helped bring the tourism share down from a peak of 47% of the city's employment in 2006 to just 39% by 2008.

In McKinney and in all of its peers, the composition of tourism-oriented employment is similar. In each city, retail trade typically accounts for more than half of tourism-oriented jobs, with hotels, restaurants, and bars providing most of the remaining jobs in this sector.

McKINNEY IN CONTEXT

International activities of public companies headquartered locally

Company	HQ City	Products & services	Foreign sales %*	Activities Abroad**				
				Asia Pacific	Europe	North America	Latin America	Middle East & Africa
Torchmark	McKinney	life & health insurance products & annuities		■		■		
Encore Wire	McKinney	copper electrical building wire & cable						
Avatar Systems	Frisco	accounting software for the energy industry						
Comstock Resources	Frisco	oil & natural gas exploration & production						
Atrion	Allen	medical products & components	35%	■	■	■		
X-Change	Allen	Xwireless internet/networking technologies						
Microtune	Plano	radio frequency integrated circuits	68%	■	■	■		
Interphase	Plano	network & content management software	67%	■	■	■		
Pfsweb	Plano	integrated business process outsourcing	22%	■	■	■		
Cinemark Holdings	Plano	movie theatre chain operations	22%			■	■	
Adams Golf	Plano	premium golf clubs	20%	■	■	■	■	
Perot Systems***	Plano	IT infrastructure & consulting	13%	■	■	■	■	■
DR Pepper Snapple Group	Plano	non-alcoholic beverages	11%			■	■	
Rent A Center	Plano	rent-to-own home electronics & appliances				■		
Cistera Networks	Plano	XML-based software applications						
Denbury Resources	Plano	oil & natural gas exploration & production						
Energy & Engine Technology	Plano	engine efficiency technologies						
Energytec	Plano	oil & natural gas production						
JC Penney	Plano	department store chain						
RG America	Plano	construction management & insurance						
TGC Industries	Plano	geophysical services						
Viewcast.com	Plano	video hardware & software						
Viewpoint Financial Group	Plano	bank holding						
Microchip Technology	Chandler	semiconductors for embedded controls	75%	■		■		
Amkor Technology	Chandler	semiconductor packaging & test services	63%	■	■	■		
American Reprographics	Walnut Creek	document management services		■		■	■	
PMI Group	Walnut Creek	mortgage-related products			■	■		
Central Garden & PET	Walnut Creek	branded pet, lawn, & garden supplies						
Schweitzer-Mauduit Intl	Alpharetta	reconstituted tobacco products	71%	■	■	■	■	
Neenah Paper	Alpharetta	premium paper products	36%		■	■		
Radiant Systems	Alpharetta	site mgmt technology for hospitality & retail	14%	■	■			
Inhibitex	Alpharetta	biopharmaceuticals						
Medassets	Alpharetta	financial software for healthcare providers						
Nortia Capital Partners	Alpharetta	capital & advisory services						
Pipeline Data	Alpharetta	credit & debit processing services						
Tri-S Security	Alpharetta	guard services to federal govt agencies						

SOURCE: *ThomsonReuters; Capital IQ*

**as of 2008, where available*

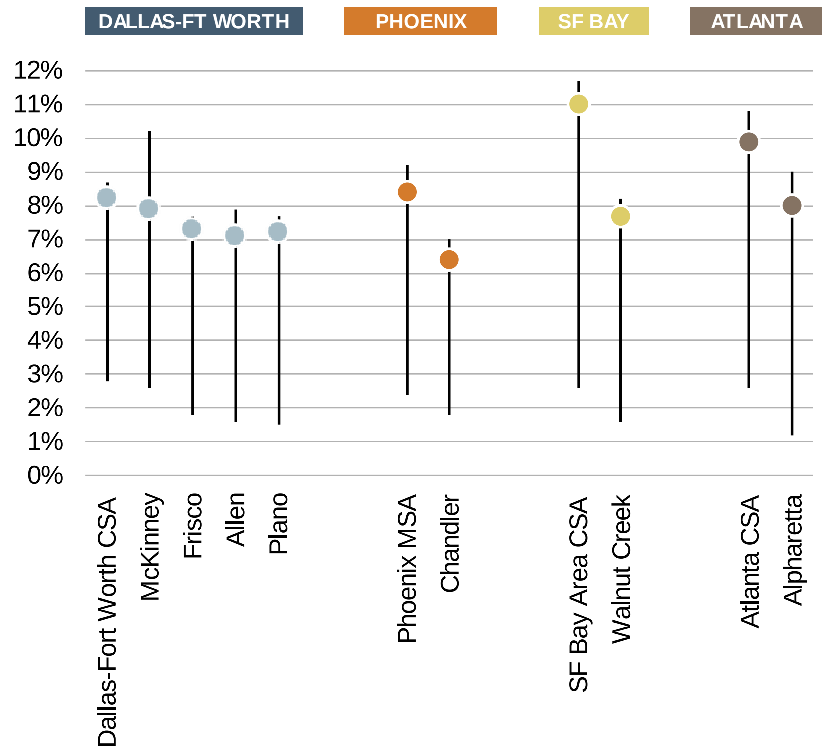
***based on subsidiary activities reported in public filings with the U.S. Securities & Exchange Commission*

****acquired by Dell in 2009*

It is not uncommon for publicly traded companies to be headquartered in affluent outlying suburbs like McKinney. Increasingly, these companies are international scope. In McKinney, for example, Torchmark's products and services are actively marketed in both Canada and New Zealand. Among McKinney's benchmarks, we identified at least five companies in three different cities that pull in more than half of their revenues from overseas markets. These include Microtune and Interphase (in Plano); Microchip Technology and Amkor Technology (in Chandler); and Schweitzer-Mauduit International (in Alpharetta).

McKINNEY IN CONTEXT

Latest unemployment rate in the context of the historical 20-year range*



SOURCES: U.S. Bureau of Labor Statistics

*All data from January 1990 through April 2010 except the Alpharetta series which begins January 1998.

Unemployment has risen nationwide since the latest recession began in late 2007. This has put unemployment rates near their highest levels of at least the past 20 years. All of the peer communities have fared better than their associated metro area, and McKinney is the farthest from its 20-year high. However, McKinney's unemployment rate is higher than all of its peers except Alpharetta.

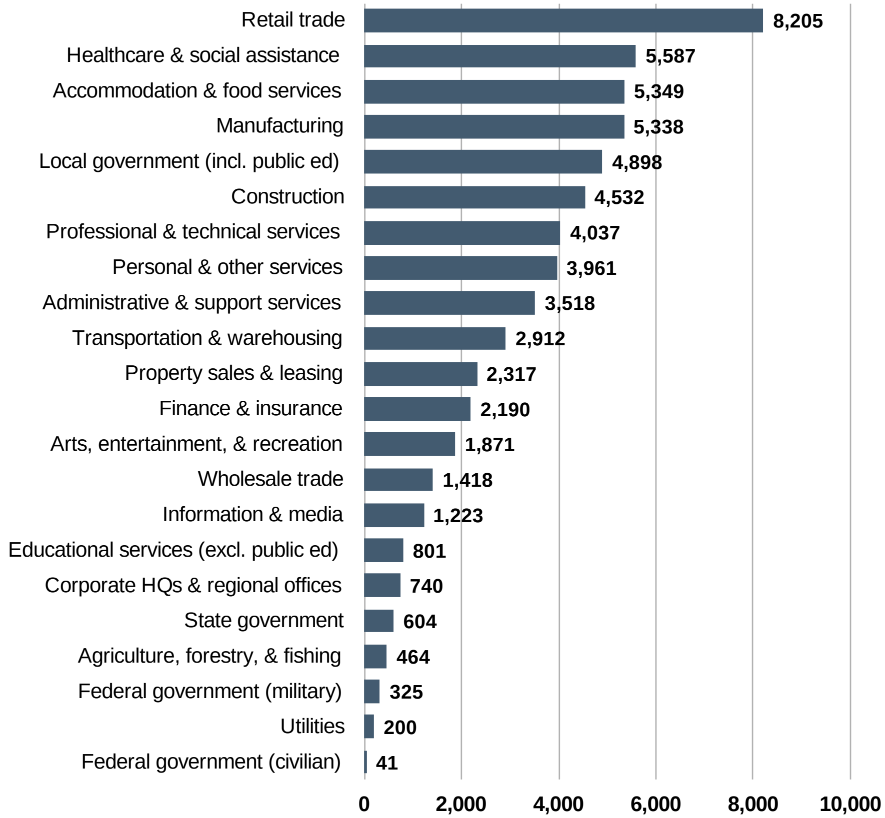
Dallas-Fort Worth overall has been slightly more resistant to recession this time than many U.S. metropolitan areas, including those in the peer group (Phoenix, Atlanta, and San Francisco/San Jose).

More than 8,000 of McKinney's jobs are in retail trade with another 5,000 workers employed by hotels and food service establishments. It's not uncommon for these sectors to provide large numbers of jobs in suburban cities like McKinney, but their location quotients of 1.29 and 1.27, respectively, are exceptionally high.

The healthcare, manufacturing, and local government sectors also account for a large number of jobs in McKinney. However, the concentration of the jobs is on par with other cities in the US.

McKINNEY IN CONTEXT

2010 Job base by industry sector

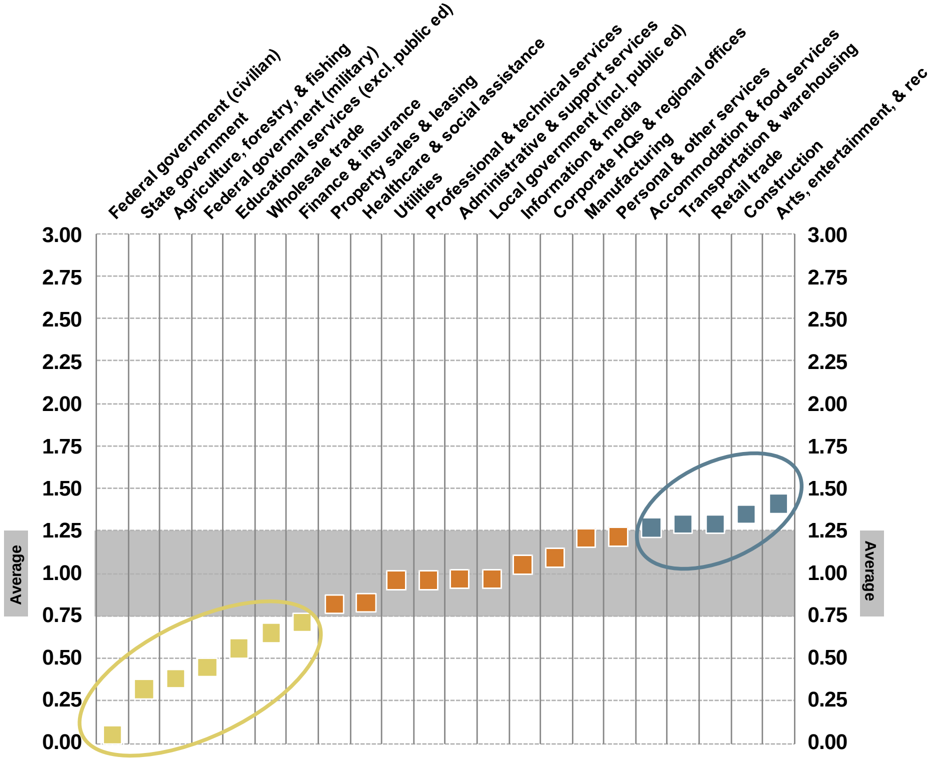


NOTE: McKinney is defined here as the sum of jobs located in zip codes 75069, 75070, and 75071

SOURCES: EMSI Complete Employment - 2nd Quarter 2010 Beta Forecast

Industry sector concentrations (location quotients)

US average for each industry = 1.00
Regional strength > 1.25
Regional weakness < 0.75

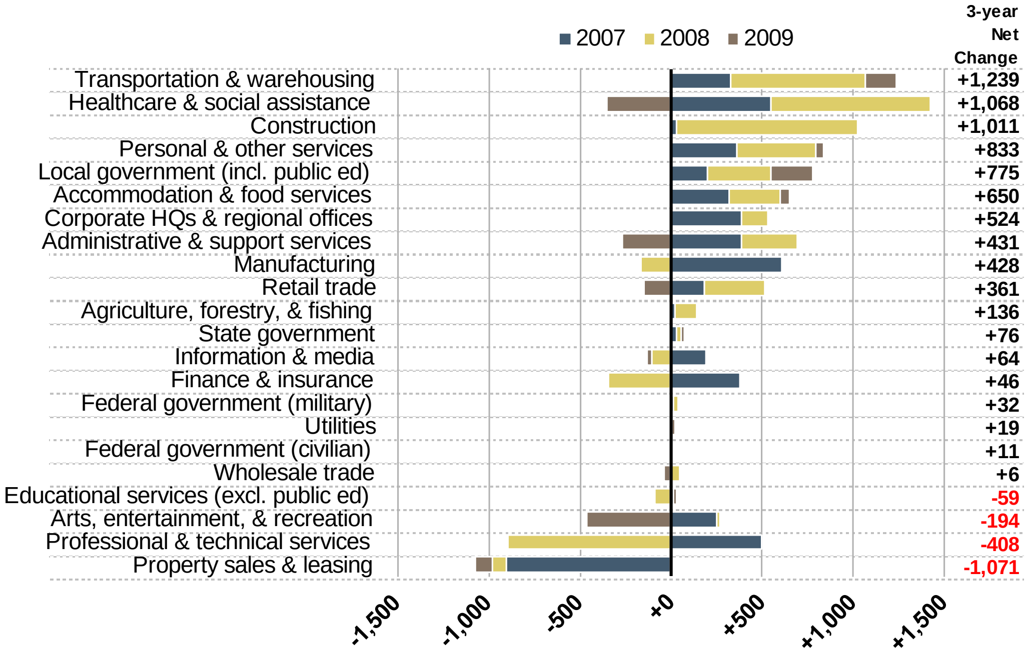


NOTE: McKinney is defined here as the sum of jobs located in zip codes 75069, 75070, and 75071

SOURCES: EMSI Complete Employment - 2nd Quarter 2010 Beta Forecast

McKINNEY IN CONTEXT

Industry sector job trends, 2007-2009



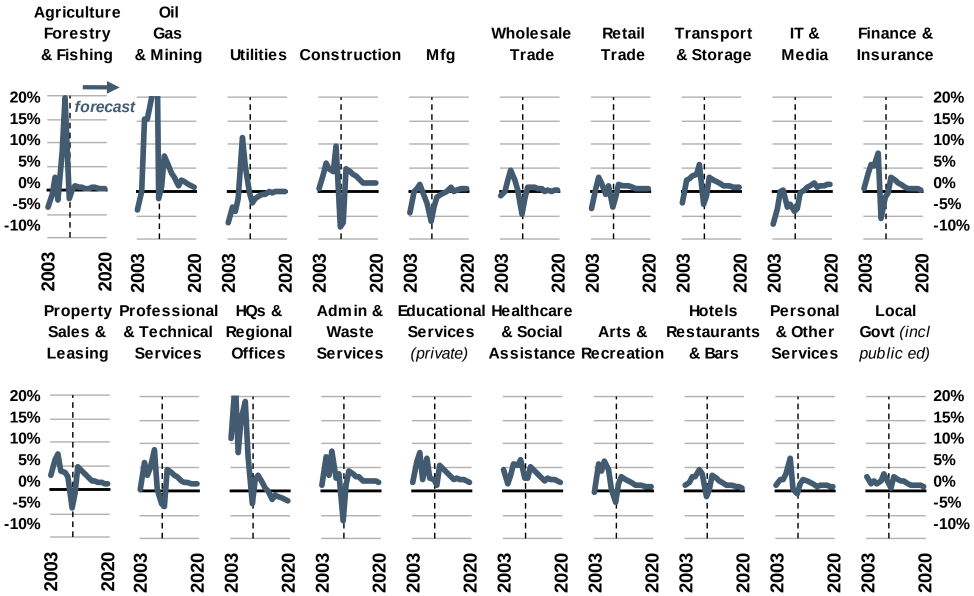
NOTE: McKinney is defined here as the sum of jobs located in zip codes 75069, 75070, and 75071

SOURCES: EMSI Complete Employment - 2nd Quarter 2010 Beta Forecast

Over the past three years, only four sectors – transportation/warehousing, healthcare, construction, and oil/gas/mining – have added more than 1,000 jobs in McKinney. In all four of these sectors, most of the growth came in 2008. Meanwhile, the professional services sector – a big driver of office absorption – has stumbled; of the more than 400 jobs lost in total over the past three years, most of the net loss came in 2008.

McKINNEY IN CONTEXT

Dallas-Fort Worth MSA job growth history (2003-2009) and forecast (2010-2020)



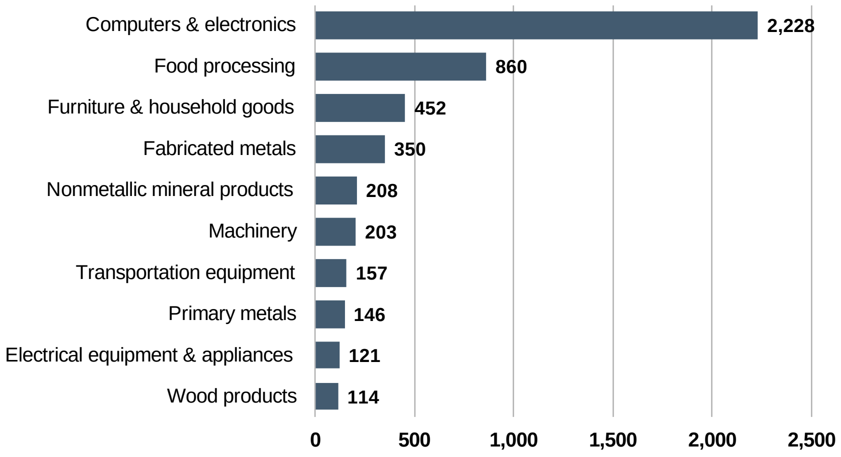
SOURCES: EMSI Complete Employment - 2nd Quarter 2010 Beta Forecast

Employment growth patterns in the Dallas-Fort Worth metroplex show that educational services and healthcare are among the most stable private-sector employers. Neither educational services nor healthcare have lost jobs in the recession and both are projected to continue adding jobs in the Metroplex at a steady pace over the next 10 years. Other sectors, such as oil & gas and construction, in particular, have shown wild volatility in terms of job growth. One sector to watch is information/media. Technology took a huge hit in the 2000/2001 recession and then struggled to recover in the years that followed. Because it showed only modest growth in recent years, IT/media is now one of the few sectors expected to see progressively improving growth over the coming decade. Other sectors, according to EMSI's forecast, may show an initial bounce in employment in the next couple of years with growth rapidly tapering off in later years.

McKINNEY IN CONTEXT

2010 Manufacturing job base by industry

Manufacturing industries with at least 100 jobs in McKinney



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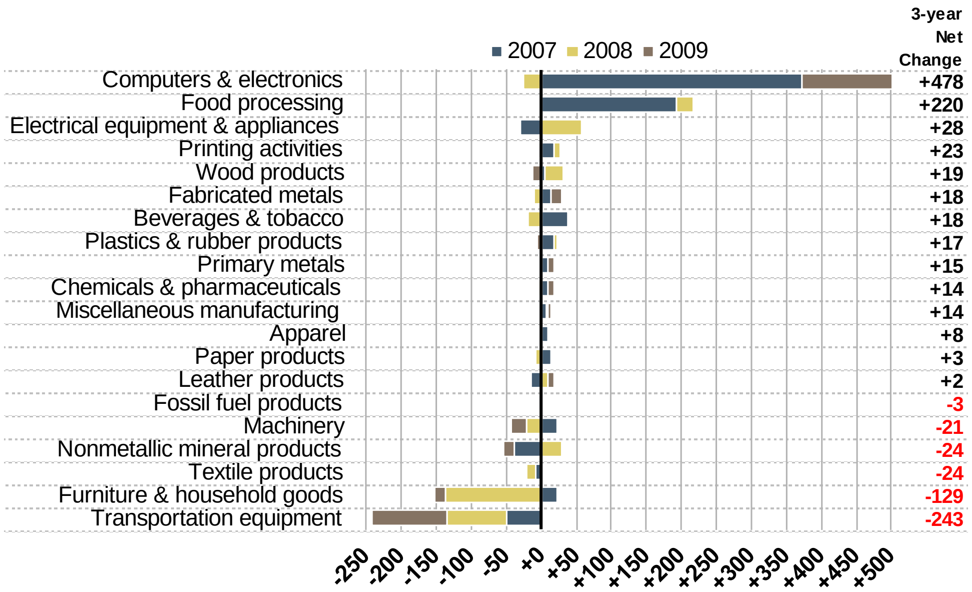
SOURCES: EMSI Complete Employment - 2nd Quarter 2010 Beta Forecast

Manufacturing industry job trends, 2007-2009



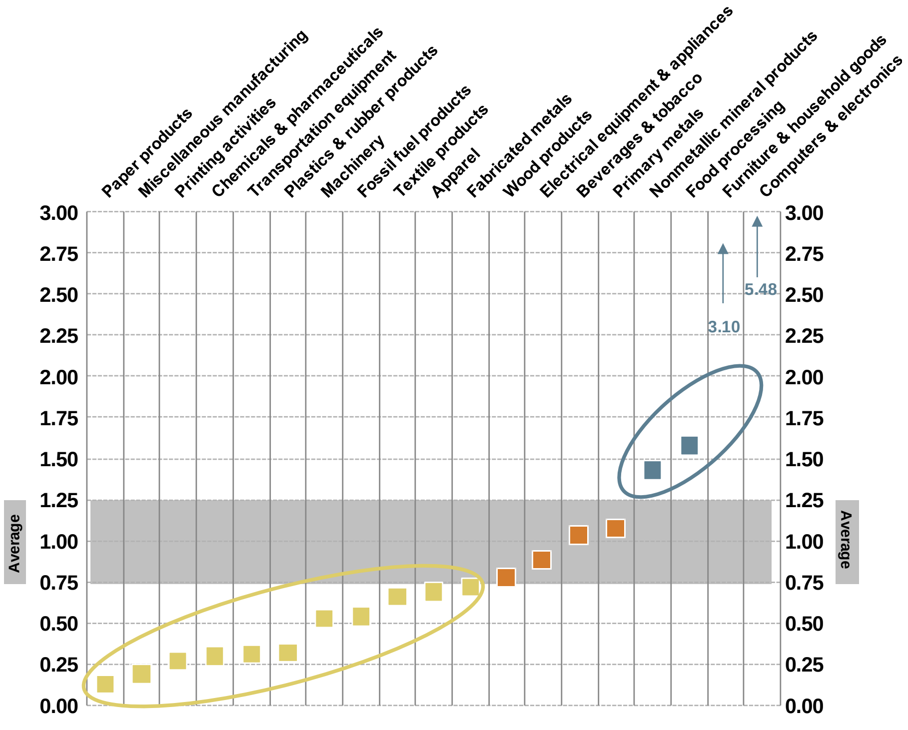
NOTE: McKinney is defined here as the sum of jobs located in zip codes 75069, 75070, and 75071

SOURCES: EMSI Complete Employment - 2nd Quarter 2010 Beta Forecast

Among McKinney's manufacturing industries, it is indeed IT-related manufacturing that dominates employment. The broad computer & electronics manufacturing industry provides more than 2,000 jobs in McKinney – more than double any other single manufacturing industry. With a location quotient of 5.48, it is literally off the charts for a city this size. The industry added nearly 500 jobs in McKinney over the past three years. Again, this was more than double the jobs added in the next largest manufacturing industry.

Manufacturing industry concentrations (location quotients)

US average for each industry = 1.00
Regional strength > 1.25
Regional weakness < 0.75

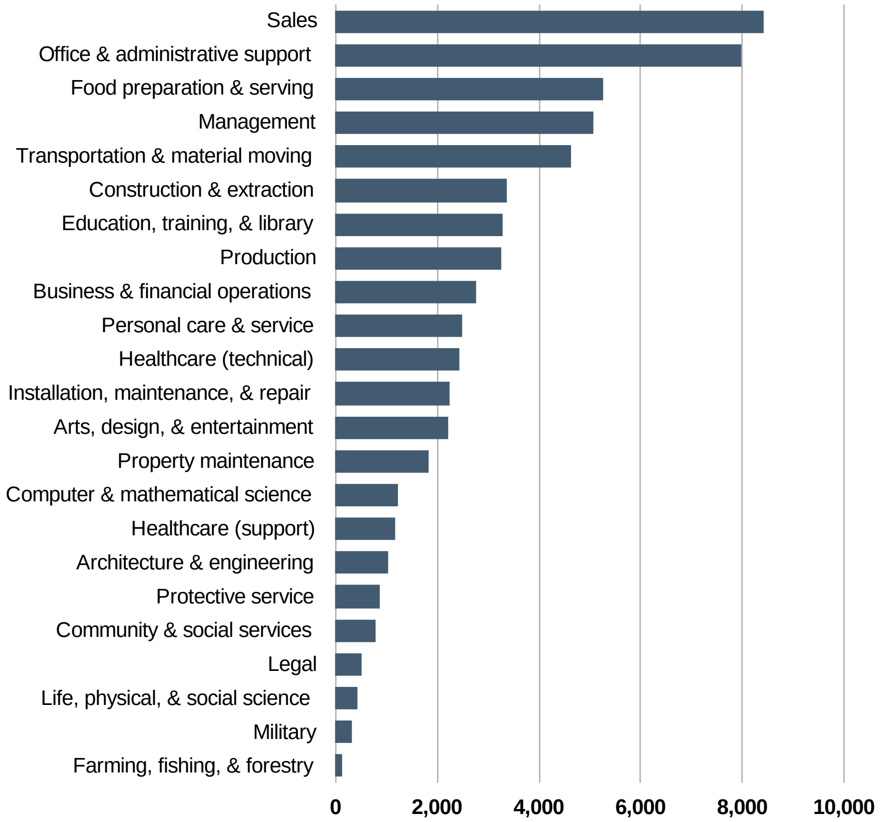


NOTE: McKinney is defined here as the sum of jobs located in zip codes 75069, 75070, and 75071

SOURCES: EMSI Complete Employment - 2nd Quarter 2010 Beta Forecast

McKINNEY IN CONTEXT

2010 Job base by occupational group



NOTE: McKinney is defined here as the sum of jobs located in zip codes 75069, 75070, and 75071

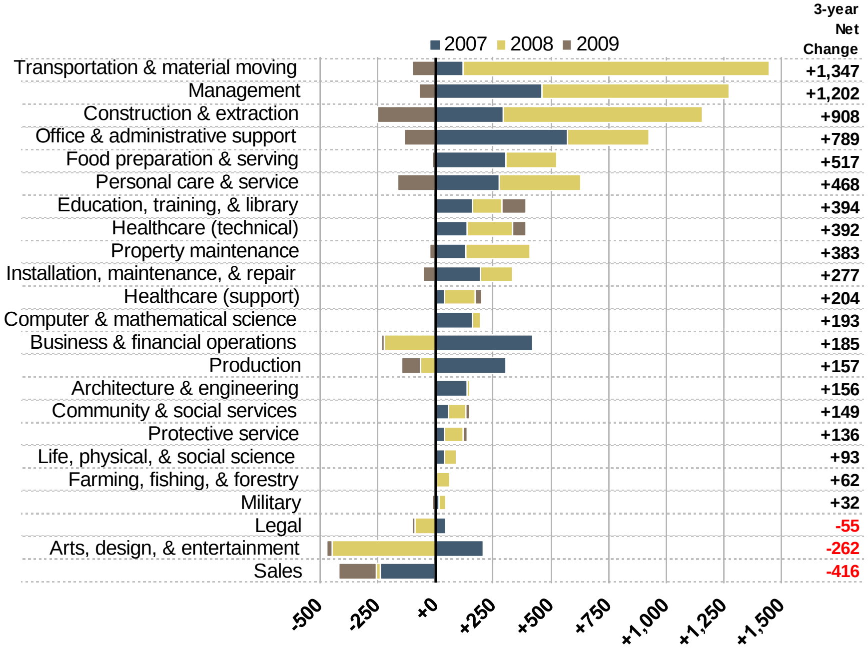
SOURCES: EMSI Complete Employment - 2nd Quarter 2010 Beta Forecast

If retail sales and accommodation/food services are important industry sectors to McKinney, then it is no surprise that sales and food preparation/serving are among the city's top occupational groups.

With a high location quotient of 1.29, transportation/material-moving forms one of McKinney's top five occupational groups. Over the past three years, the city added more than 1,300 jobs in fields related to transportation.

Among the occupational groups showing the most resilience during the depths of the recession were those involving education and healthcare workers. These were among the only occupational groups to add jobs in McKinney during 2009.

Occupational group job trends, 2007-2009



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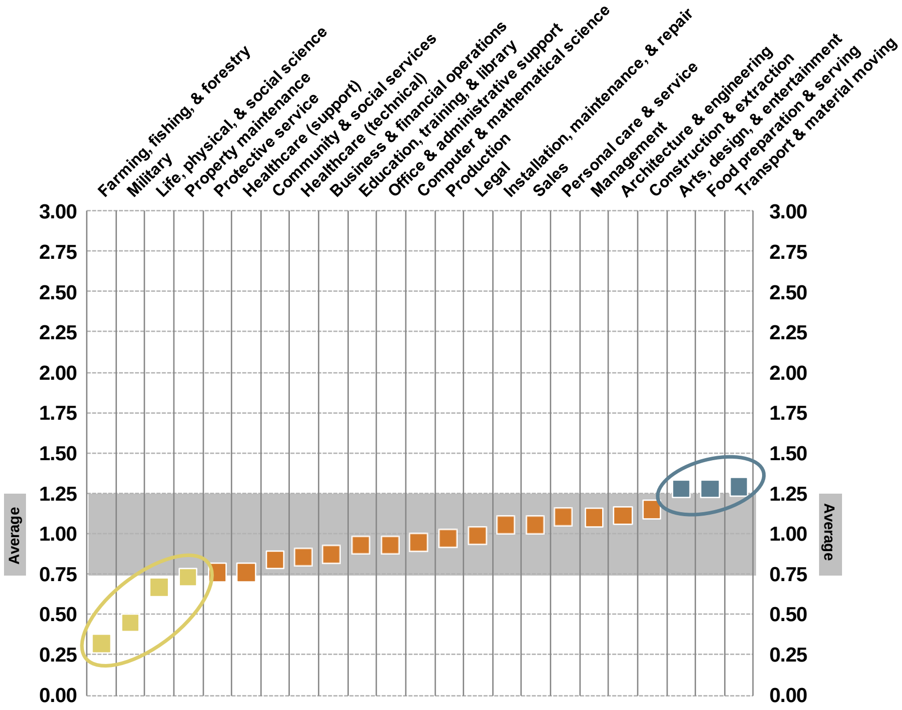
SOURCES: EMSI Complete Employment - 2nd Quarter 2010 Beta Forecast

Occupational group concentrations (location quotients)

US average for each industry = 1.00

Regional strength > 1.25

Regional weakness < 0.75



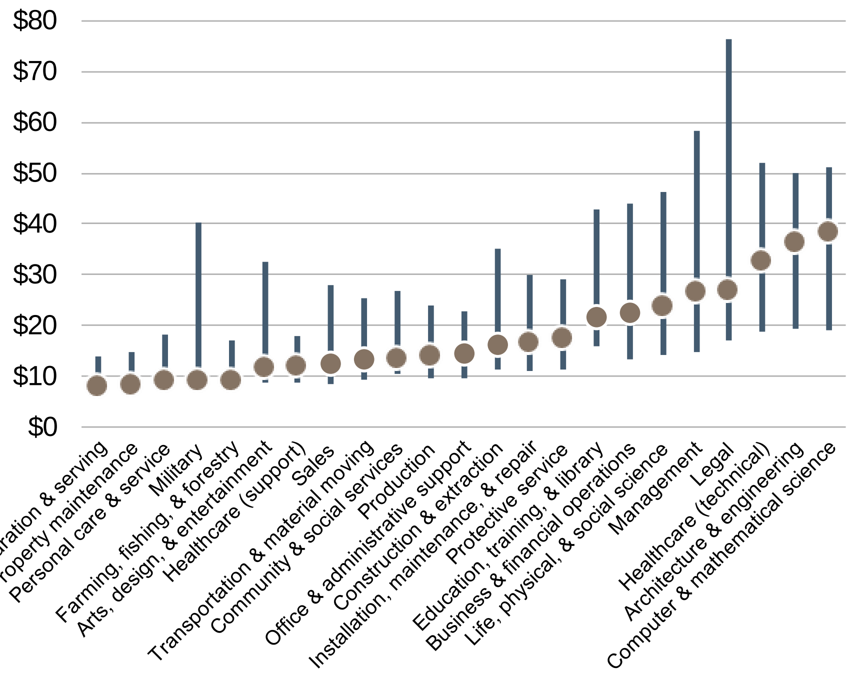
NOTE: McKinney is defined here as the sum of jobs located in zip codes 75069, 75070, and 75071

SOURCES: EMSI Complete Employment - 2nd Quarter 2010 Beta Forecast

McKINNEY IN CONTEXT

Median hourly wage rate by occupational group

Circle/point represents the local median; line represents the national wage range between the 10th and 90th percentiles



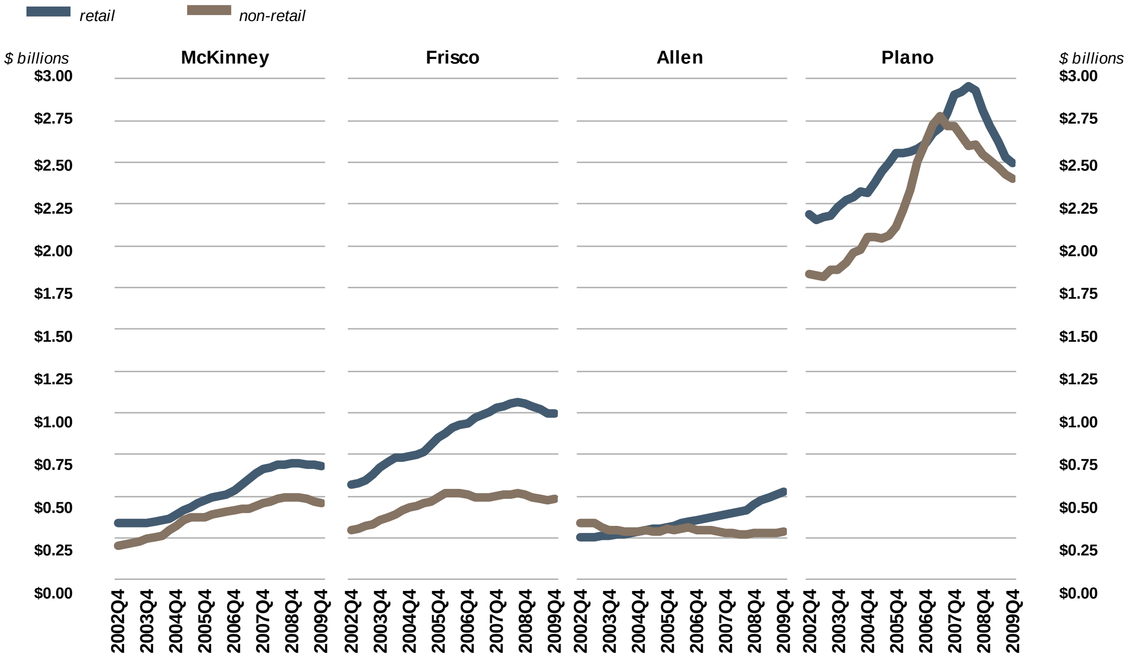
NOTE: McKinney is defined here as the sum of jobs located in zip codes 75069, 75070, and 75071

SOURCES: EMSI Complete Employment - 2nd Quarter 2010 Beta Forecast

McKinney's wage rates by occupational group shed light on the city's job structure. Among lower skilled occupational groups, wage rates are near the bottom of the national wage range. As skill levels increase, however, McKinney's wages move higher not only in nominal terms, but also in percentile terms as well. Among the highest skilled occupational groups like healthcare professionals, engineers, and computer scientists, median pay in McKinney falls near or above the middle of the national wage range for each group.

McKINNEY IN CONTEXT

Total municipal taxable sales, 4-quarter moving average



SOURCES: Texas Comptroller of Public Accounts

Other

Taxable sales are difficult to compare across states due to differences in reporting requirements and data collection methods. For this reason, we compare McKinney only to its Texas peer group.

Comparing total taxable sales over the past few years in McKinney, Frisco, Allen, and Plano shows that Plano's sales tax base suffered greatly during this recession. Frisco was also impacted, though less severely. In McKinney, growth of the sales tax base stalled but decline has been marginal, at least compared to some of the local peers. Only in Allen have taxable sales expanded significantly during the recent recession.

McKinney's property tax base of more than $10 billion is significant. Only four Metroplex suburbs (Plano, Arlington, Irving, and Frisco) have larger tax bases. On a per-resident basis, McKinney's tax base remains competitive. For each resident of the city, there is about $84,000 in taxable property, putting McKinney's base closely in line with the revenue-producing resources of Plano, Irving, Richardson, Allen, and Flower Mound. Of the major Dallas-Fort Worth suburbs, only Frisco boasts more than $100,000 in taxable property per resident.

Our review of municipal debt among major Texas suburbs shows that the Dallas-Fort Worth area cities typically tend to rely on general obligation bonds for a greater share of their leverage than do the Houston suburbs. The relative debt burden in the Metroplex suburbs tends to be lower, however. Per $100 of taxable property, McKinney and most of the Dallas-Fort Worth suburbs tend to have a smaller share of debt than do their peers in Houston or Austin. And among the Dallas-Fort Worth suburbs, McKinney's debt level compares well on a relative basis.

McKINNEY IN CONTEXT

Municipal property tax base

Central city Suburb	**Net Taxable Property** Total *US$ billions*	**Net Taxable Property** Average per resident *US$ thousands*	**Property tax rate** Per $100 valuation
Dallas	**$87.3**	**$66.3**	**0.747900**
Fort Worth	**$43.0**	**$58.4**	**0.855000**
Plano	$25.5	$95.4	0.488600
Arlington	$18.1	$48.4	0.648000
Irving	$17.8	$83.4	0.540600
Frisco	$13.6	$127.0	0.465000
McKinney	$10.7	$83.8	0.585500
Richardson	$9.8	$96.7	0.575160
Carrollton	$9.3	$74.0	0.617875
Allen	$7.3	$86.9	0.555000
Flower Mound	$6.9	$99.8	0.449700
Lewisville	$6.4	$62.6	0.440200
Mesquite	$5.7	$40.6	0.640000
North Richland Hills	$3.8	$56.5	0.570000
Rowlett	$3.3	$58.7	0.747173
Euless	$2.6	$48.4	0.470000
Houston	**$150.3**	**$67.0**	**0.638750**
Sugar Land	$9.2	$108.6	0.300000
Pearland	$6.3	$76.3	0.652600
League City	$4.9	$69.2	0.630000
Missouri City	$4.4	$59.5	0.528400
Galveston	$3.7	$64.7	0.554000
Conroe	$3.4	$61.8	0.420000
Baytown	$2.7	$38.3	0.787030
Austin	**$80.2**	**$105.8**	**0.420900**
Round Rock	$8.2	$78.6	0.396610
Cedar Park	$3.9	$62.5	0.489001
San Marcos	$2.6	$49.6	0.530200

SOURCES: Texas Municipal League (2010 Tax and Debt Survey)

Municipal debt burden

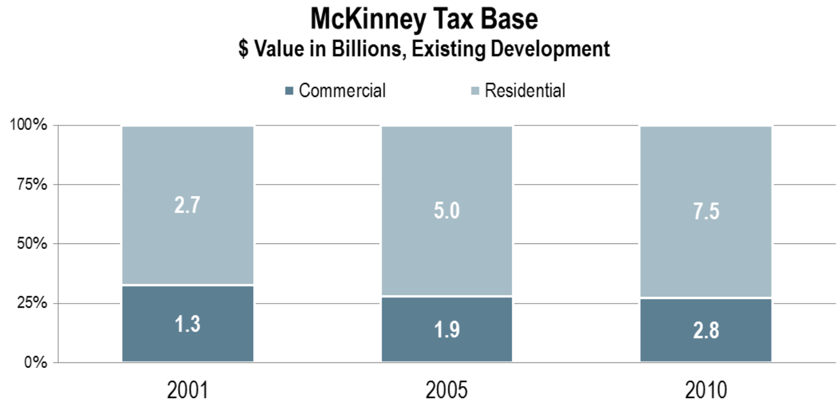
Central city Suburb	**Total debt burden*** Total *US$ millions*	**G.O bond share** % of total debt burden	**Debt burden rate** Total debt per $100 of net taxable property value
Dallas	**$3,663**	**41%**	**$4.20**
Fort Worth	**$1,231**	**47%**	**$2.86**
Frisco	$646	44%	$4.75
Arlington	$506	68%	$2.79
Irving	$395	51%	$2.22
Plano	$339	91%	$1.33
McKinney	$270	54%	$2.56
Richardson	$247	66%	$2.51
Mesquite	$243	44%	$4.28
Carrollton	$196	86%	$2.11
Lewisville	$177	46%	$2.79
Rowlett	$137	67%	$4.17
Flower Mound	$135	46%	$1.95
Allen	$118	84%	$1.62
North Richland Hills	$75	57%	$2.00
Euless	$57	42%	$2.17
Houston	**$11,488**	**22%**	**$7.64**
Galveston	$476	4%	$12.80
Pearland	$408	48%	$6.46
Missouri City	$231	27%	$5.19
Baytown	$176	23%	$6.52
League City	$173	18%	$3.50
Sugar Land	$154	49%	$1.68
Conroe	$121	0%	$3.54
Austin	**$4,767**	**17%**	**$5.95**
Cedar Park	$223	46%	$5.73
San Marcos	$206	10%	$7.84
Round Rock	$150	77%	$1.83

*NOTE: Sum of general obligation bonds, revenue bonds, and certificates of obligation

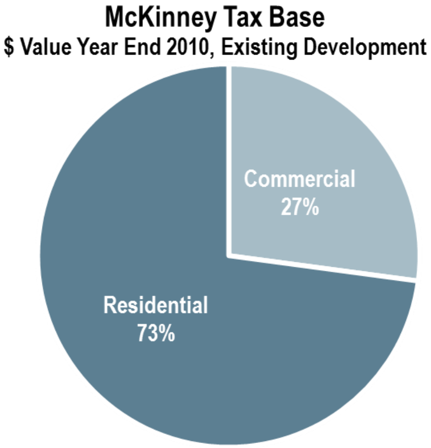
SOURCES: Texas Municipal League (2010 Tax and Debt Survey)

Of the land that was developed in McKinney's city limits at year end 2010, commercial property accounted for 27% of the total assessed value and residential property accounted for 73%. In the past 10 years, the share of commercial has declined from 33% in 2001 to 27% in 2010.

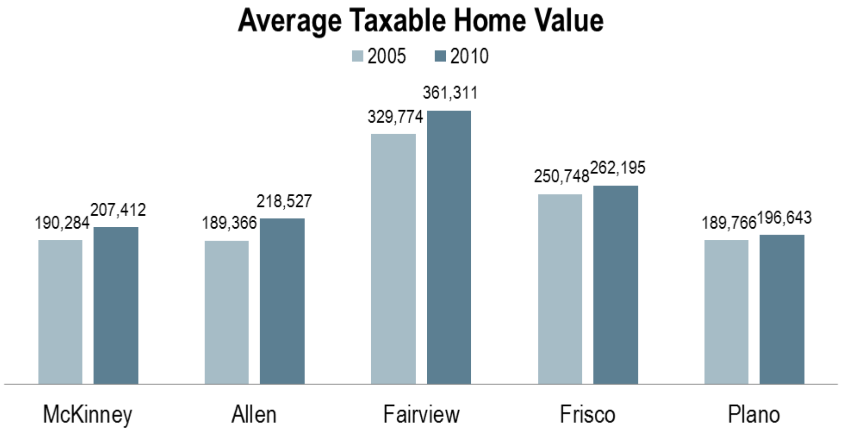
McKinney's average taxable home value increased 9% from $190,284 in 2005 to $207,412 in 2010. McKinney's average home value is lower than Allen, Frisco, and Fairview, but is higher than Plano's.



Source: City of McKinney, Insight Research.



Source: City of McKinney, Insight Research.



Source: Collin County Central Appraisal District.