

East McKinney Neighborhood Preservation Plan

May 2023

Prepared for:



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Introduction

The City of McKinney has grown tremendously over the past 20 years, and with this growth has come pressure for new development, largely targeting areas located both east and west of US75. Until recently there had been little development pressure east of Highway 5, in the East McKinney neighborhoods. This is changing, though, and the City's Comprehensive Plan notes that this area is the only one of the 17 Districts in the city with any significant redevelopment potential. Understanding how to preserve these neighborhoods and prevent displacement in the face of this pressure is a fundamental issue of this study.

To address this coming change, the City hired Economic & Planning Systems (EPS) to complete a Neighborhood Preservation Plan for the five neighborhoods comprising East McKinney – La Loma/Lively Hill, Lewisville, Mouzon/Central, Rockwall, and Wilcox (**Figure 1**). This plan reflects the need to ensure preservation of these neighborhoods and to create strategies that maintain the character of East McKinney and work to prevent displacement as development pressure moves in.

This report is presented in three sections following this introduction:

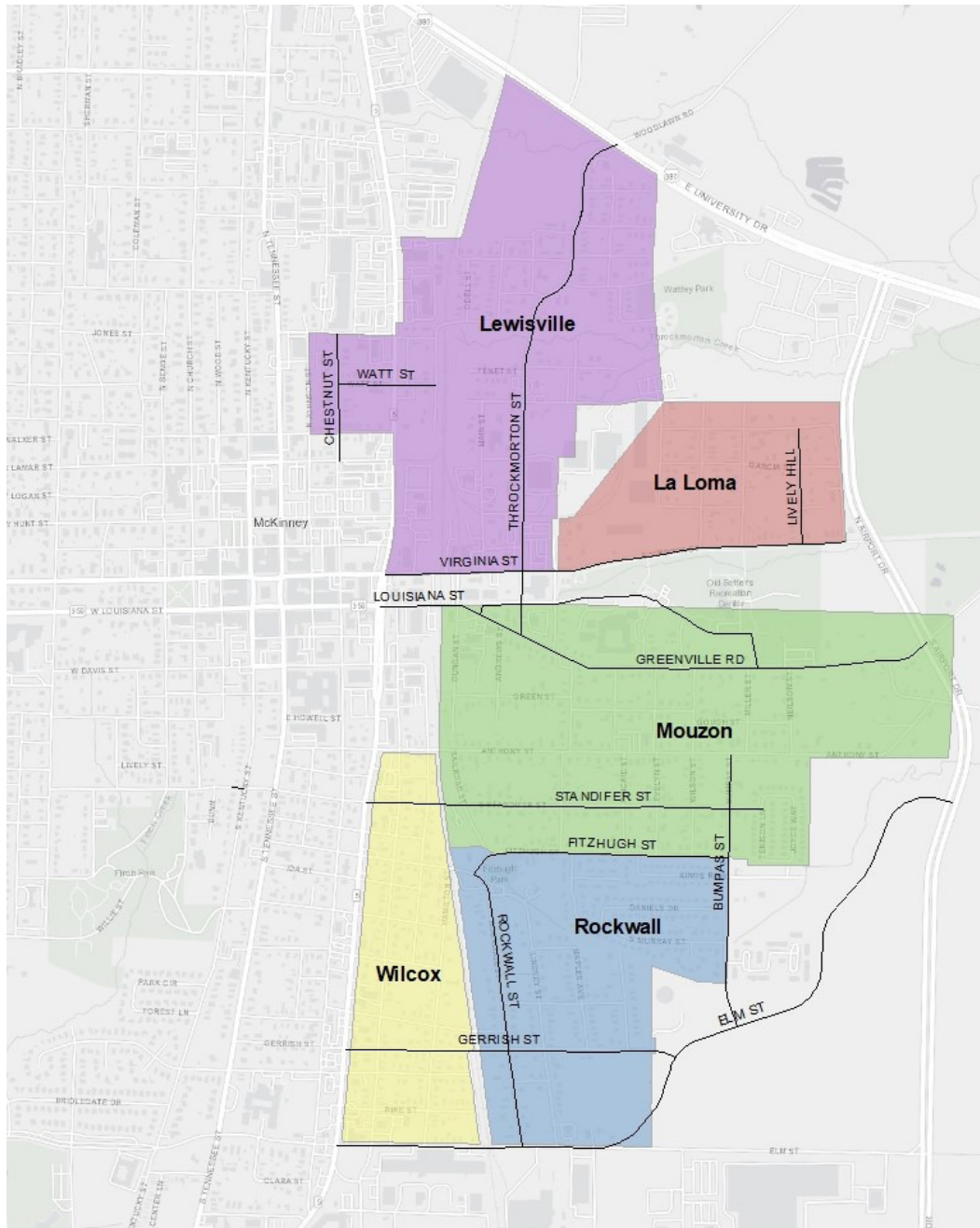
Section 1 provides a summary of the existing conditions analysis completed as the first phase of this effort, identifying trends and changes in the neighborhoods. The existing conditions analysis includes four chapters:

- ▶ **Economic and Demographic Trends** provides an overview of population and household trends, characterizing changes in the neighborhoods and the impact of those changes on housing demand.
- ▶ **Housing Characteristics** analyzes the housing inventory and market trends to understand the current market conditions in East McKinney.
- ▶ **Resident Survey** summarizes the key findings from a resident survey fielded during Spring and Summer 2022 to solicit feedback from East McKinney residents on challenges they are facing and what would help to overcome those challenges.
- ▶ **Redevelopment Context** provides an overview of where growth pressures may be coming from, examining both land availability and value potential.

Section 2 summarizes the community outreach that took place throughout the study process. In addition to the resident survey summarized within the existing conditions section, focus groups and interviews were conducted to gather more detailed feedback from community members and stakeholders, and are summarized in this section.

Section 3 outlines tools and strategies for the City to adopt to achieve preservation and stabilization goals for these neighborhoods. This is presented as an implementation plan, incorporating the analysis and community feedback conducted as part of this study and outlining phasing and other considerations for the strategies, as well as metrics to measure success so that the City can track progress towards its goals.

Figure 1. East McKinney Neighborhoods



Key Themes

The existing conditions analysis outlines the key trends and drivers that drove the development of the *East McKinney Neighborhood Preservation Plan*. Key themes that emerged in this analysis include:

1. *Residents of East McKinney are vulnerable to displacement in a number of ways*

On nearly every metric evaluated, East McKinney lags the rest of the City in terms of economic and social well-being.

2. *Home sale prices are high and have been increasing, particularly relative to household incomes, and are particularly concerning when considered by price per square foot*

Market pressure in East McKinney is increasingly limiting the ability for East McKinney residents to move from renting into homeownership. At the same time, rents in the area are high and so the expenditure increase from renting into owning may not be as significant as it used to be.

3. *Since 2010 there has been a significant shift to rental from homeownership in East McKinney, which increases the vulnerability of the population to displacement*

This shift, particularly in conjunction with other trends and factors, makes preservation and stabilization more important but also more challenging.

4. *As the City reaches buildout of greenfield development sites, pressure will increase on infill locations*

East McKinney has a significant amount of land in and around the area, and proximity to the successful historic Downtown area is likely to fuel ongoing demand pressures.

5. *When developers are looking for redevelopment opportunities, given cost differential in land value and ability to acquire tracts of scale, they are more likely to seek out industrial/commercial sites*

Given the availability of these sites in the East McKinney area, the desired future of these sites will be a key consideration in development of the preservation plan, balancing jobs and commercial development with residents and housing.

Key Recommendations

Based on these themes, as well as community input, City Council direction, and best practices from peer communities, five strategies are recommended to further neighborhood preservation goals in East McKinney:

1. Community Land Trust

A Community Land Trust (CLT) is typically a nonprofit organization that owns land in a shared equity structure, keeping land (and thus housing) affordable. A CLT will acquire land (or existing housing) and own the land in perpetuity while residents can purchase and own homes with low-cost long-term ground leases.

A CLT can work to mitigate escalating housing costs by providing affordable homeownership options for residents. It can also manage the impacts of speculative buyers by building relationships with existing residents and becoming a preferred alternative when considering a sale.

2. Rental Inspection and Rehab Program

A rental inspection program, combined with funding for property rehabilitation, can work to improve the quality of rental housing without increasing rent to the residents. An inspection program, where units are regularly inspected and required to remediate issues, creates an incentive for landlords to utilize rehab funding. As a condition of receiving rehab funding, affordability requirements can be placed on the property (these can be scaled to the level of funding received).

A rental inspection program will address the needs of renters in existing housing units and help to improve the quality of rental properties in East McKinney by ensuring that base level property standards are being met. If a rehab program is included, it can work to counteract the current trend of landlords disinvesting in properties (given strong rental rates irrespective of property conditions). As a condition of receiving funding, property owners would be required to keep rents affordable for a period of time.

It is anticipated that the rental inspection program will be implemented first, and a rehab funding program can be added in future years, if the City desires.

3. Support for Accessory Dwelling Units

McKinney zoning code currently permits ADUs in most residential districts, subject to certain provisions. There are many benefits to expanding the ADU inventory, both to residents and to homeowners; however, the units are expensive to construct and through a low/no interest loan program, the City can help income-qualified homeowners defray the costs of construction.

This is a targeted strategy to help existing homeowners, as well as provide housing opportunities for future renters.

Constructing ADUs can add new affordable housing to East McKinney (through income restrictions on tenants of units), provide additional income to existing homeowners to improve financial stability (through rental income), and also provide multigenerational living opportunities for residents. A program providing support for residents to construct ADUs can enable these residents to utilize this tool that would otherwise not be available to them due to financial barriers.

4. Education & Outreach for Existing Programs

Many East McKinney residents are not aware of currently available support programs, or they are not currently eligible for these programs due to barriers that can be overcome (for example, clear title to their property).

Through targeted, intentional education and outreach the City can increase utilization of these existing programs and help current residents access resources. This includes the clear title program currently under development, the existing homeowner rehab program, as well as existing property tax abatement and other property assistance programs. If desired, this can also include new programs such as counseling on tenant rights, eviction prevention counseling, and financial counseling for homeowners on pros and cons of selling property.

An outreach and education effort is a broad strategy that would connect residents with existing support programs, and help residents overcome barriers to program participation. Issues such as lack of clear title are critical challenges to residents accessing existing resources, as clear title is a prerequisite to most tax benefits and assistance programs. By gaining access to these programs residents will get assistance with many challenges, including property tax burden and property repair needs.

5. TIRZ Affordable Housing Strategies

A Tax Increment Reinvestment Zone (TIRZ) can be a powerful tool in advancing neighborhood preservation goals. Strategies within a TIRZ include ensuring that the TIRZ boundaries encompass an appropriate area to capture new development and provide opportunities to improve/add infrastructure where needed, as well as the potential to require affordable housing set-asides in new residential developments that are receiving TIRZ funding (either as a requirement or as a negotiated component of an incentives package). This works to increase the supply of affordable housing within the TIRZ boundaries, without concentrating affordable housing in any one area.

Utilizing tools within the TIRZ can serve multiple purposes. If the TIRZ 1 boundary is expanded, infrastructure improvements can be made in more of East McKinney around new projects not currently within the boundary. This would enable East McKinney residents to benefit from new development in the area. There may also be opportunities to negotiate with these new developments, if they receive TIRZ funding, on affordable housing or other community benefits. Affordable housing is a goal of the current TIRZ 1, but is not required in new projects. Reevaluating how the TIRZ approaches affordable housing can align outcomes with stated goals.

SECTION I: EXISTING CONDITIONS

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A. Economic and Demographic Trends

This chapter provides an overview of economic and demographic trends in East McKinney and the City overall, including population, households, age, income, and health insurance coverage. For all data provided in this report, a reference to the City of McKinney includes the East McKinney neighborhoods. These indicators of change and current conditions in the neighborhoods provide context for market changes and other factors in the area and will help in determining and prioritizing needs and strategies for neighborhood preservation and stabilization.

Population and Households

Population and household trends provide an understanding of resident growth in the community. In the information that follows, data will be presented for the City of McKinney in parallel with East McKinney. The trends for the City will be contrasted to those within the study area. The magnitude of growth for both geographies establishes the “resident demand” for housing, with implications on the supply and demand of the local markets and corresponding impact on pricing. Other attributes of demand can be identified by examining the nature of these trends – for example, the age, education, and income of existing and new residents – to contextualize the demand for both existing and new housing.



POPULATION TRENDS

East McKinney had slow population growth over the past two decades, growing consistently at an average rate of 0.8 percent per year both from 2000 to 2010 and from 2010 to 2021. Although consistent in aggregate, the composition of growth in the individual neighborhoods varied during this time. Meanwhile, the City of McKinney was rapidly growing around these neighborhoods.

East McKinney currently has a population of 3,513 residents, shown in Table 1, accounting for 1.7 percent of the City population of 208,225. The greatest share of the population is in Mouzon, with 1,203 residents (34 percent of East McKinney), followed by Rockwall with 839 residents, Wilcox with 701 residents, Lewisville with 561 residents, and La Loma with 209 residents.

Table 1. Population Trends, 2000-2021

Description	2000	2010	2021	2000-2010			2010-2021		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Population									
East McKinney									
La Loma	89	185	209	96	10	7.6%	24	2	1.1%
Lewisville	293	481	561	188	19	5.1%	80	7	1.4%
Mouzon	1,317	1,149	1,203	-168	-17	-1.4%	54	5	0.4%
Rockwall	519	726	839	207	21	3.4%	113	10	1.3%
Wilcox	<u>750</u>	<u>683</u>	<u>701</u>	<u>-67</u>	<u>-7</u>	<u>-0.9%</u>	<u>18</u>	<u>2</u>	<u>0.2%</u>
Total	2,968	3,224	3,513	256	26	0.8%	289	26	0.8%
McKinney	55,264	131,359	208,225	76,095	7,610	9.0%	76,866	6,988	4.3%

Source: U.S. Census; ESRI Business Analyst; Economic & Planning Systems

From 2000 to 2010, East McKinney added 256 residents, an average of 26 residents per year at an annual growth rate of 0.8 percent. La Loma grew the fastest over this time, doubling in size from 89 residents in 2000 to 185 residents in 2010, an annual growth rate of 7.6 percent. Lewisville and Rockwall also added residents, growing annually at rates of 5.1 percent, and 3.4 percent, respectively. Growth in these neighborhoods was offset by population losses in Mouzon (168 residents) and Wilcox (67 residents). Over the same period, the City of McKinney had significant population growth, nearly tripling in size with the addition of roughly 76,000 residents. This is an average of 7,610 residents per year, an annual growth rate of 9.0 percent. McKinney is a high growth community and has been the destination for a significant number of new residents. Established communities with a solid economic base typically growth at rates between 1.5 percent to 3.0 percent (depending on the size of the base). McKinney’s growth reflects unusually high rates of change, building on a base that was modest at the onset.

From 2010 to 2021, population trends in East McKinney overall remained consistent with the prior 10 years. The neighborhoods added 289 residents, an average of 26 residents per year and the same annual growth rate of 0.8 percent. Although this annual growth rate was unchanged from the prior decade, the composition of growth within the individual neighborhoods was very different. Every neighborhood saw an increase in residents, with annual growth rates ranging from 0.2 percent in Wilcox to 1.4 percent in Lewisville. Over the same period, the City of McKinney saw its annual growth rate decrease to 4.3 percent. While slowing as the City builds out, this is nonetheless significant citywide growth.



HOUSEHOLD TRENDS

Households in East McKinney are much larger than households citywide, and growth rates in East McKinney directly mirrored those of the overall population, both in aggregate and at the neighborhood level.

In 2021, East McKinney had nearly 900 households, as shown in Table 2, representing 1.4 percent of the 71,540 households in McKinney. Similar to population, Mouzon has the largest share of households and La Loma the smallest. Wilcox, however, has a larger share of population than households, a function of larger household size in this neighborhood.

Table 2. Household Trends, 2000-2021

Description	2000	2010	2021	2000-2010			2010-2021		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
Households									
East McKinney									
La Loma	27	57	65	30	3	7.8%	8	1	1.2%
Lewisville	91	150	176	59	6	5.1%	26	2	1.5%
Mouzon	317	262	273	-55	-6	-1.9%	11	1	0.4%
Rockwall	154	192	217	38	4	2.2%	25	2	1.1%
<u>Wilcox</u>	<u>168</u>	<u>159</u>	<u>164</u>	<u>-9</u>	<u>-1</u>	<u>-0.5%</u>	<u>5</u>	<u>0</u>	<u>0.3%</u>
Total	757	820	895	63	6	0.8%	75	7	0.8%
McKinney	18,488	44,418	71,539	25,930	2,593	9.2%	27,121	2,466	4.4%

Source: U.S. Census; ESRI Business Analyst; Economic & Planning Systems

Across McKinney, average household size is 2.88 persons per household. Within East McKinney, Mouzon has the largest household size at 4.37 persons per household, followed by Wilcox at 4.27, Rockwall at 3.87, Lewisville at 2.95, and La Loma at 2.91.



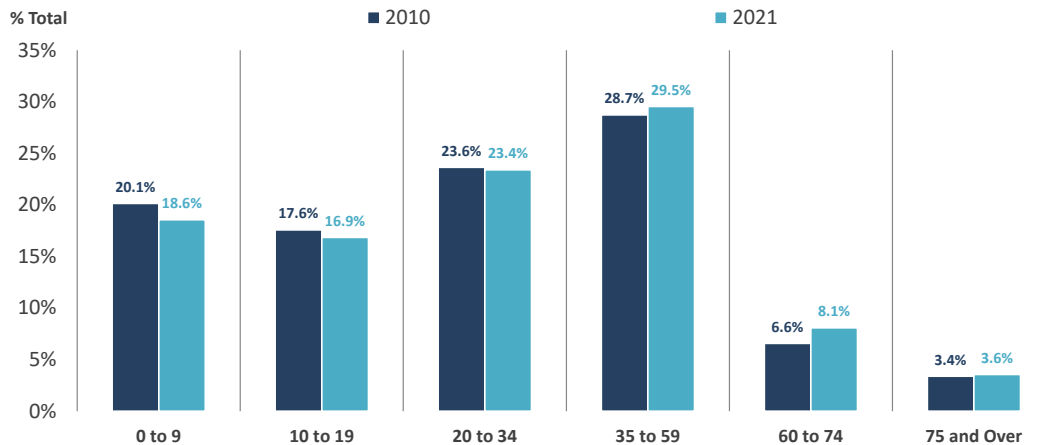
AGE DISTRIBUTION

Residents of East McKinney are younger, on average, than residents in the City overall. Despite this, the East McKinney neighborhoods are undergoing the same aging trends as the City, and since 2010 the median age in both geographies has increased.

The median age in East McKinney is 29.4 years, five years younger than the citywide median of 34.4. The median age in East McKinney increased from 27.7 years in 2010 to 29.4 years in 2021, as shown in Figure 2. Over this same time period, the City's median age increased from 32.8 to 34.4 years, as shown in Figure 3. This measure increased by approximately the same amount in both areas, indicating that both are affected by similar demographic trends.

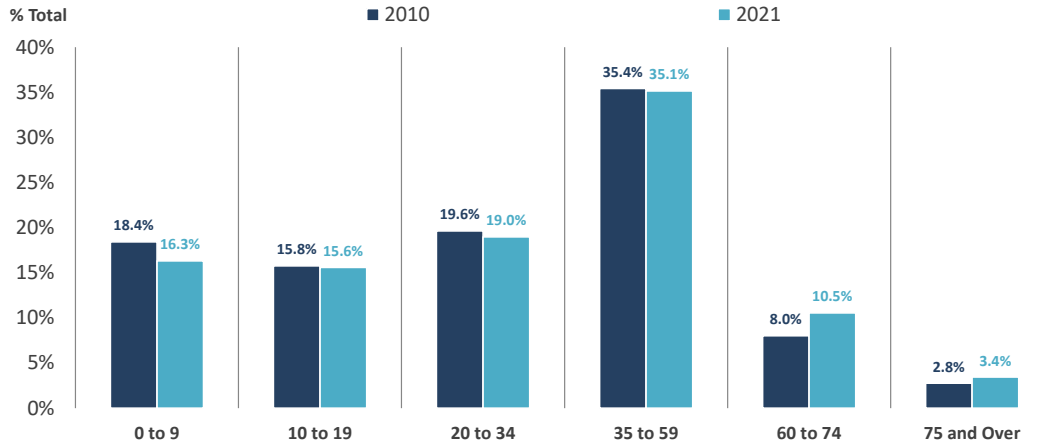
In 2010, the median ages in the East McKinney neighborhoods ranged from 26.1 years in Rockwall to 28.8 years in La Loma. By 2021, the median age had increased in most neighborhoods, ranging from 26.1 years in Rockwall (which saw no change) to 31.1 years in Wilcox (which saw the greatest increase, at 2.5 years).

Figure 2. Age Distribution, East McKinney, 2010-2021



Source: U.S. Census; Economic & Planning Systems

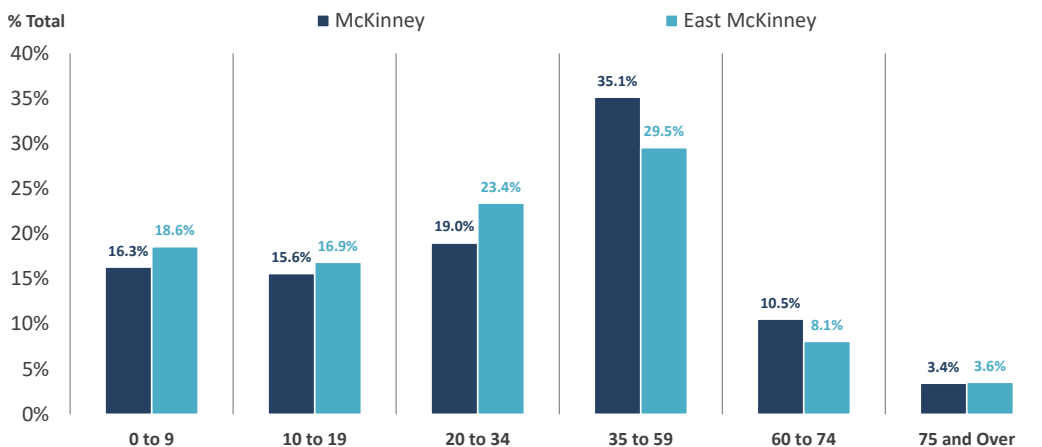
Figure 3. Age Distribution, McKinney, 2010-2021



Source: U.S. Census; Economic & Planning Systems

Though both populations have trended older over time, approximately 59 percent of East McKinney residents are under the age of 35, compared to 51 percent in McKinney, shown in Figure 4. While the incremental difference is small, it is noteworthy that East McKinney has a greater percentage of children compared to the City as a whole. With 18.6 percent of residents aged 0 to 9 and 16.9 percent aged 10 to 19, over 35 percent of East McKinney is younger than 20. The percentage of children in these age brackets in the City is 16.3 and 15.6 percent, respectively.

Figure 4. Age Distribution in McKinney and East McKinney, 2021



Source: U.S. Census; Economic & Planning Systems

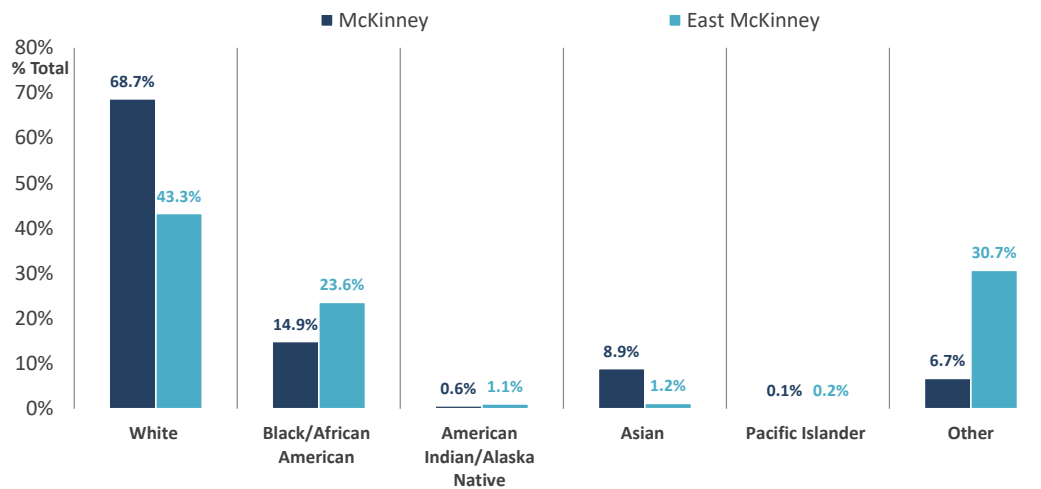


POPULATION DIVERSITY

Nearly 24 percent of the population in East McKinney is Black/African American and 59 percent of the population is Hispanic. This is a much more diverse population than the City overall.

In 2021, white residents represented approximately 43.3 percent of the East McKinney population, as shown in Figure 5, a lower proportion than the City where nearly 69 percent of the population is white. In East McKinney, 23.6 percent of the population is Black/African American, compared to just 15 percent of the population citywide. Additionally, the Hispanic population (of any race) accounted for approximately 59 percent of the total population in East McKinney neighborhoods, compared to only 19 percent in the City overall.

Figure 5. Population by Race, McKinney and East Neighborhoods, 2021



Source: U.S. Census; Economic & Planning Systems

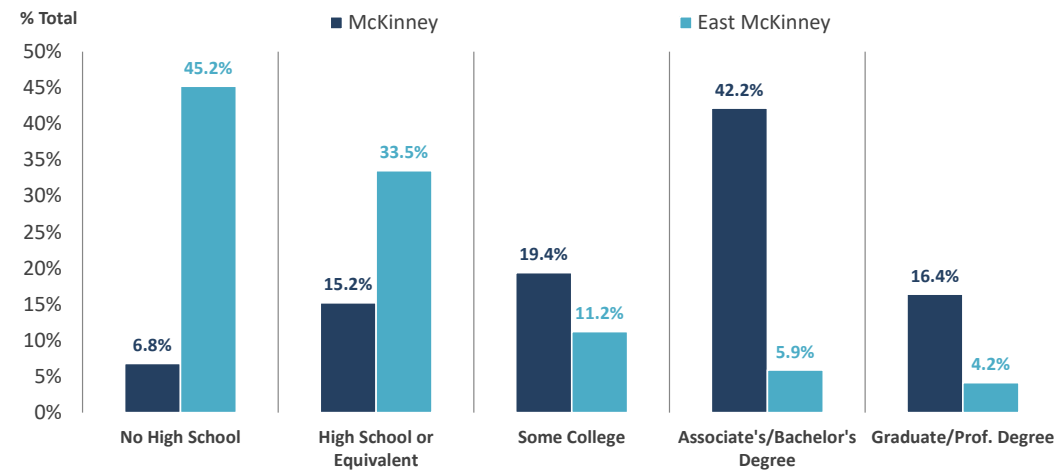


EDUCATIONAL ATTAINMENT

The population in East McKinney has a lower overall level of education than the City average.

In East McKinney, 45 percent of the adult population (25 and older) did not graduate high school, compared to only 7 percent in the City, shown in Figure 6. Additionally, only 10 percent of the population has received a college degree, compared to 59 percent in McKinney. In the East McKinney neighborhoods, the percentage of the population that did not graduate high school ranges from 31 percent in Rockwall to 51 percent in Mouzon and Wilcox. Rockwall has the highest educational attainment, with 69 percent of the adult population having at least graduated high school or attained an equivalent certification. While the highest among these neighborhoods, this is still low compared to the City of McKinney, where 93 percent of the adult population has graduated high school or attained an equivalent certification.

Figure 6. Educational Attainment, Population Age 25 and Older, 2021



Source: U.S. Census; Economic & Planning Systems

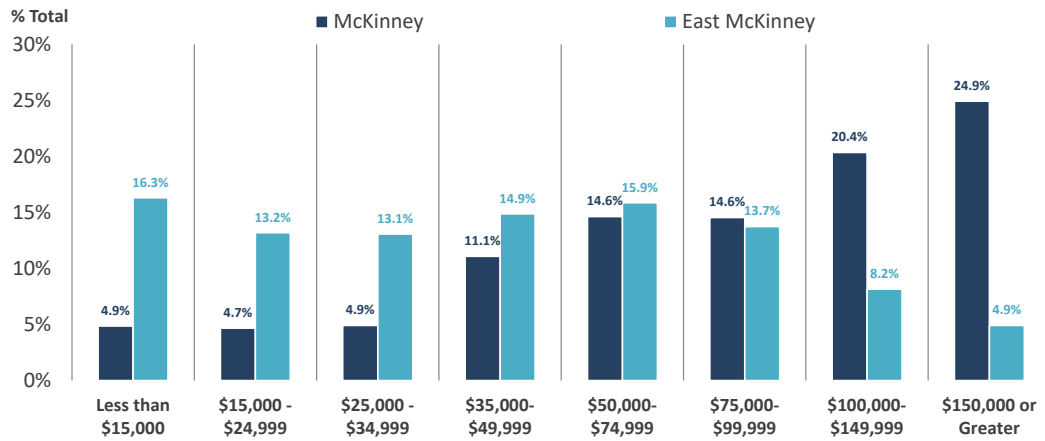


HOUSEHOLD INCOME DISTRIBUTION

East McKinney households earn significantly less than households in the City overall.

In East McKinney, roughly 30 percent of households earn less than \$25,000, with 16 percent of households earning less than \$15,000 annually, shown in Figure 7. There is a limited number of higher-income households; 13 percent of East McKinney households have incomes greater than \$100,000 annually. This compares to 45 percent in the City at large.

Figure 7. Household Income Distribution, McKinney and East McKinney, 2021



Source: Esri Business Analyst; U.S. Census; Economic & Planning Systems

The median household income in East McKinney is \$42,036, less than half of the City’s median of \$90,272. Median household income in the neighborhoods ranges from \$34,469 in La Loma to \$49,506 in Mouzon, shown in **Table 3**. The per capita income in East McKinney, at \$14,834, is just over one-third that of the City. This indicates that wages for jobs held by East McKinney residents are likely lower than those of residents elsewhere in the city. It may also be an indication that more household members in East McKinney need to work to contribute to household income compared to households across the city.

Table 3. Household Income, 2021

Description	McKinney	East McKinney	La Loma	Lewisville	Mouzon	Rockwall	Wilcox
Median Household Income	\$90,272	\$42,036	\$34,469	\$34,561	\$49,506	\$40,253	\$39,588
Average Household Income	\$114,109	\$59,522	\$56,682	\$55,998	\$83,209	\$43,409	\$41,824
Per Capita Income	\$39,316	\$14,834	\$15,352	\$15,406	\$19,073	\$11,075	\$11,447

Source: Esri Business Analyst; U.S. Census; Economic & Planning Systems

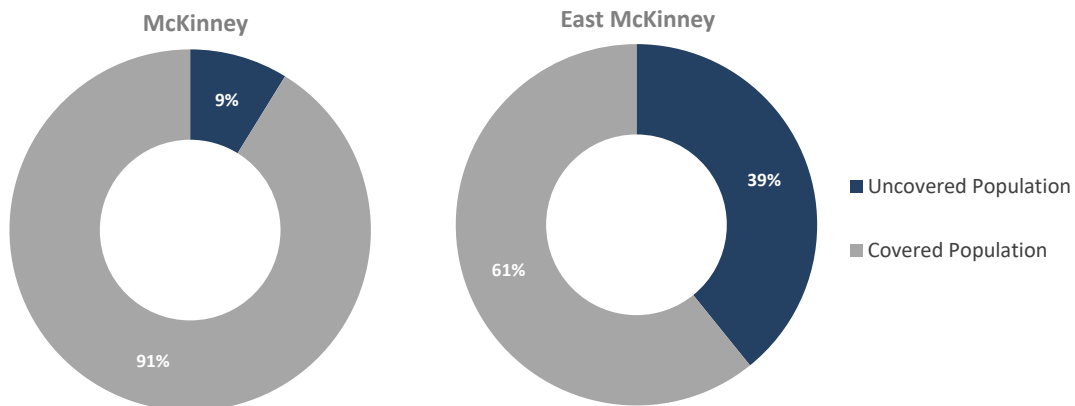


HEALTH INSURANCE COVERAGE

East McKinney residents have health insurance coverage at lower rates than the City overall. Coverage varies widely across the individual neighborhoods, ranging from a low of 9 percent to a high of 91 percent (on par with the City).

In East McKinney overall, 61 percent of the population has health care coverage, while 39 percent does not, as shown in Figure 8. Of the East McKinney neighborhoods, Mouzon is the most disproportionately affected by low insurance rates, with an uncovered population of 91 percent. In the other neighborhoods, the percentage of the population without health insurance coverage ranges from 9 percent in Wilcox to 33 percent in La Loma. In the City overall, only 9 percent of the population does not have health insurance coverage. Residents of East McKinney without health insurance coverage represent 8.3 percent of the City's uncovered population, a much higher share than the area's overall population (which represents just 1.7 percent of the City).

Figure 8. Health Insurance Coverage, 2019



Source: Esri; U.S. Census; Economic & Planning Systems

Summary of Economic and Demographic Findings

1. *East McKinney had slow population growth over the past two decades relative to the City of McKinney; however, its population remains younger than the City.*

While population growth was slow in aggregate, the composition of the growth in the individual neighborhoods varied across the two decades. From 2000 to 2010, the population of La Loma, Lewisville, and Rockwall grew, while Mouzon and Wilcox both contracted. Over the course of the next decade, population growth was relatively stable, with all neighborhoods adding population. Over this time the population got older, but the median age in East McKinney remains five years younger than the City overall.

2. *The population of East McKinney is more diverse than the City overall.*

In East McKinney, the non-white population accounts for approximately 56.7 percent of the total, compared to only 31.3 percent in the City. Additionally, the Hispanic population (of any race) represents approximately 59 percent of the total population in East McKinney, compared to only 19 percent in the City.

3. *The local population in East McKinney has lower levels of education than the City average.*

In East McKinney, 45 percent of the adult population (25 and older) did not graduate high school (compared to 7 percent in the City) and 10 percent of the population has received a college degree (59 percent in the City).

4. *Households in East McKinney have significantly lower incomes than households in the City overall.*

The median household income in East McKinney is \$42,036, less than half of the City's median of \$90,272. In East McKinney, approximately 16 percent of households earn below \$15,000 annually and roughly 30 percent earn below \$25,000, a much higher proportion of low-income households than the City overall.

5. *On average, East McKinney residents are less likely to have health insurance coverage compared to the City overall.*

Health insurance coverage varies by a wide margin in the neighborhoods. The percentage of the population without coverage ranges from a low of 9 percent in Wilcox to over 91 percent in Mouzon. In aggregate, 39 percent of East McKinney residents do not have coverage, compared to only 9 percent in the City at large.

B. Housing Characteristics

This chapter documents trends and conditions in the housing inventory and market in East McKinney. Housing market trends and conditions are evaluated in comparison to the City at large to understand key similarities, differences, and potential areas of vulnerability.



Housing Inventory

Overall housing inventory increased in East McKinney from 2010 to 2021, but at a slower rate than growth from 2000 to 2010. As an historic area, housing units in East McKinney are significantly older than in the City at large.

From 2010 to 2021, East McKinney grew by a net total of 76 housing units (accounting for both new construction and demolition), an average annual increase of 7 units or 0.7 percent, shown in Table 4. The change in the housing inventory is not attributed to new construction as much as a shift from owner to rental status; over this time period the East McKinney neighborhoods gained 143 renter households and lost 68 owner households, leading to the net increase of 76 units. Over the same period, housing units in the City of McKinney grew at a pace of 4.2 percent annually, adding a total of 27,752 housing units.

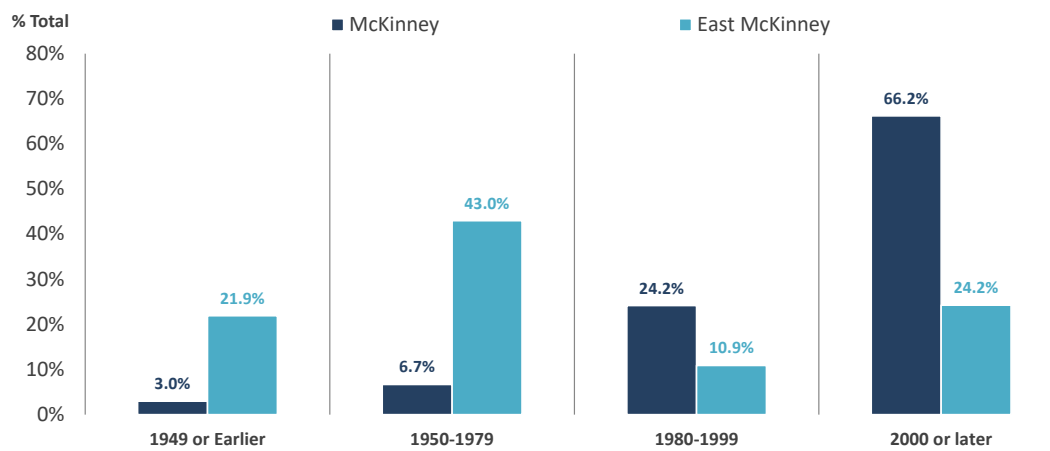
Table 4. Housing Inventory, 2000-2021

Housing Units	2000	2010	2021	2000-2010			2010-2021		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
McKinney									
Owner Occupied	13,061	31,620	47,838	18,559	1,856	9.2%	16,218	1,474	3.8%
Renter Occupied	5,428	12,798	23,702	7,370	737	9.0%	10,904	991	5.8%
Vacant	1,302	3,577	4,207	2,275	228	10.6%	630	57	1.5%
Total	19,791	47,995	75,747	28,204	2,820	9.3%	27,752	2,523	4.2%
East McKinney									
Owner Occupied	369	447	379	78	8	1.9%	-68	-6	-1.5%
Renter Occupied	388	373	516	-15	-2	-0.4%	143	13	3.0%
Vacant	30	68	69	38	4	8.5%	1	0	0.1%
Total	787	888	964	101	10	1.2%	76	7	0.7%

Source: Esri Business Analyst; U.S. Census; Economic & Planning Systems

Only 24 percent of housing units in East McKinney were built after 2000, compared 66 percent of units citywide, as shown in Figure 9. In East McKinney, roughly 65 percent of housing units were built prior to 1979, compared to only 9.6 percent in the City. Within the neighborhoods, Mouzon, Rockwall, and Wilcox have the oldest housing stock, with 91 percent, 67 percent, and 45 percent of total housing units built before 1980, respectively. La Loma and Lewisville have the newest housing stock, with 71 percent and 58 percent of total housing units built after 2000, respectively.

Figure 9. Housing Units by Year Built, 2019

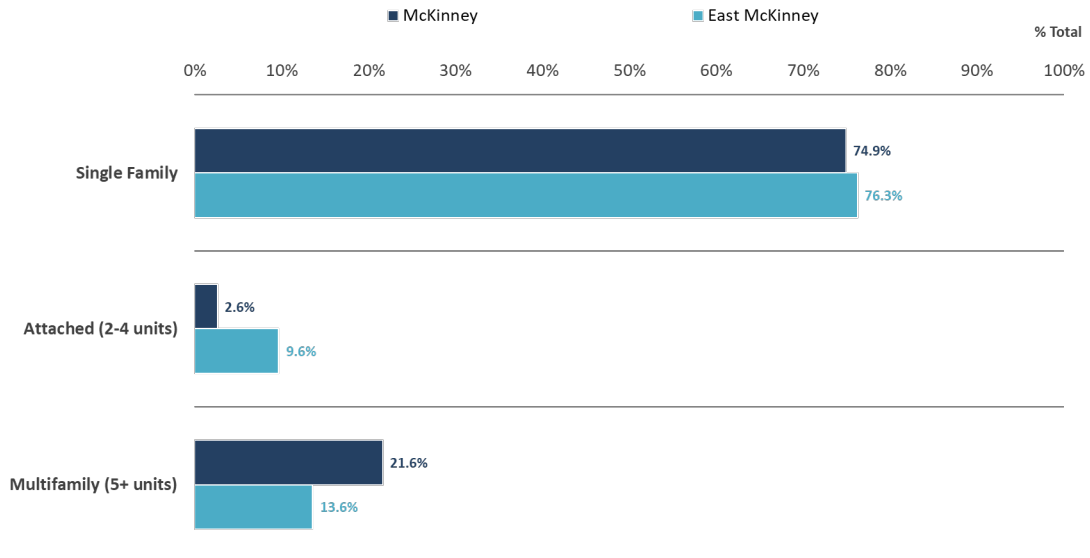


Source: U.S. Census; Economic & Planning Systems

The majority of East McKinney residents live in single family housing units, which is true of the City as well.

Over 76 percent of housing units in East McKinney are single family homes, and in each neighborhood single family housing accounts for over 70 percent of the housing units, as shown in Figure 10. While single family homes also comprise the bulk of housing across the City, there is a significant difference between East McKinney and the City in the availability of multifamily housing. In the City of McKinney overall, multifamily units account for approximately 22 percent of the housing units, compared to 14 percent in East McKinney. This indicates that the majority of renters in East McKinney reside in single family housing, while more renters in the City dwell in multifamily units.

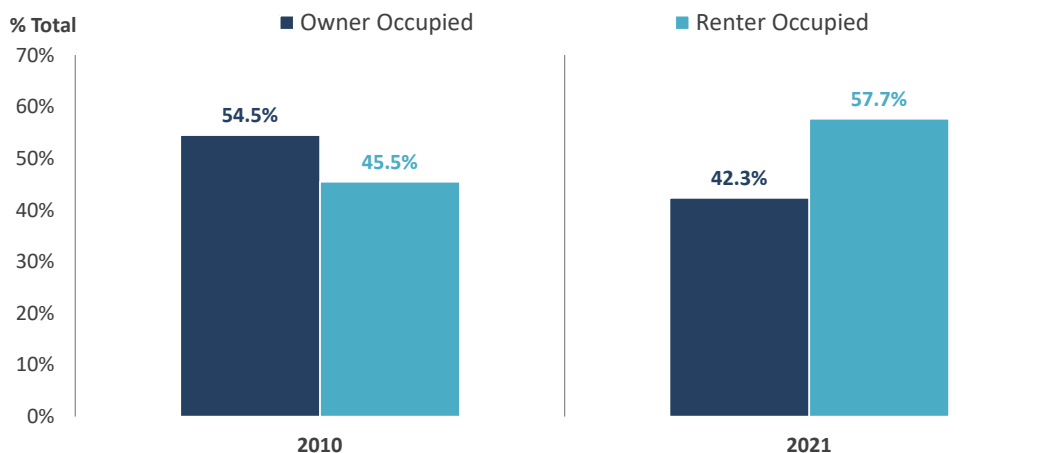
Figure 10. Housing Units by Type, McKinney and East McKinney, 2019



Source: U.S. Census; Economic & Planning Systems

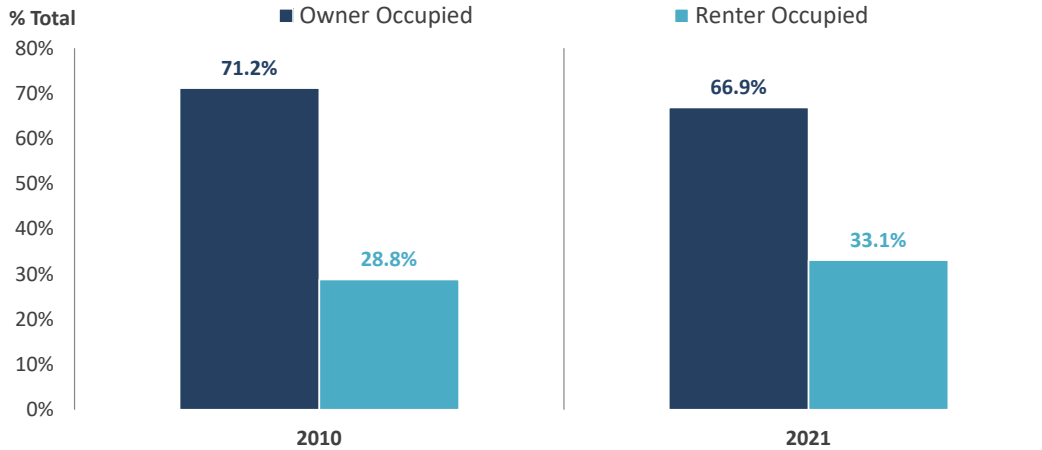
Approximately 58 percent of the housing units in East McKinney are renter occupied and 42 percent are owner occupied units, as shown in Figure 11. As noted previously, this is a 12-point shift from 2010, when approximately 55 percent of homes were owner-occupied, and 45 percent were rented. The City as a whole has a larger portion of homeowners, with approximately 67 percent owner occupied and 33 percent renter occupied units. The City’s rate of homeownership has also declined since 2010, from 71 percent to 67 percent, but with only a 4-point shift, this change has not been seen to the same extent as the decline in East McKinney.

Figure 11. East McKinney Housing Tenure, 2010-2021



Source: U.S. Census; Economic & Planning Systems

Figure 12. McKinney Housing Tenure, 2010-2021



Among homeowners, a much higher proportion of East McKinney residents do not have a mortgage, compared to the City overall. Within the East McKinney neighborhoods only 51 percent of homeowners have a mortgage, while 49 percent own their homes free and clear. In the city overall, nearly 77 percent of homeowners have a mortgage while only 23 percent own their homes outright.

A higher proportion of renters is an important metric for neighborhood preservation, as data show that renter housing is associated with higher frequency household moves than owner housing, and thus is less stable than ownership. A high proportion of homeowners without mortgages is also an important metric – often these residents are older, have been in their homes for a long time, and may be on fixed incomes, which can create challenges if housing costs increase (as will be seen in the next section).



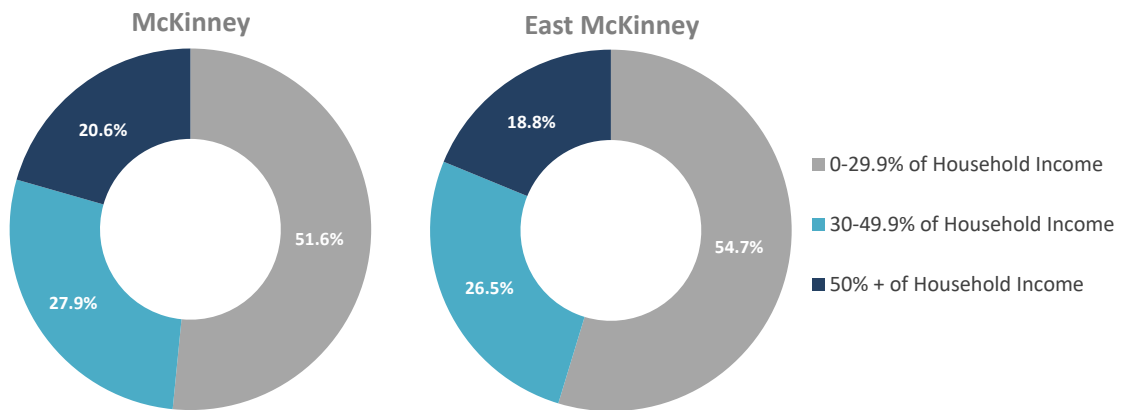
Housing Costs and Affordability

In East McKinney, 45 percent of renters and 54 percent of homeowners are considered cost burdened, spending more than 30 percent of income on housing.

In East McKinney, 188 households, representing approximately 45 percent of renters, spend 30 percent or more of their income on rent (including utilities). This proportion of cost burdened renters is on par with the City of McKinney overall, where roughly 48 percent of renter households are cost burdened, as shown in Figure 13.

The cost burdened households in East McKinney reside primarily in La Loma, Lewisville, and Wilcox. The percent of cost burdened households range from 56 to 67 percent, with 18 households, 58 households, and 30 households, respectively, cost burdened. In Wilcox in particular, approximately 49 percent of renter households are severely cost burdened, spending 50 percent or more of their household income on rent and utilities. In Mouzon and Rockwall, fewer households are cost burdened, as approximately 66 percent of households spend less than 30 percent of their household income on rent in each neighborhood.

Figure 13. Rent as a Percentage of Income, 2019

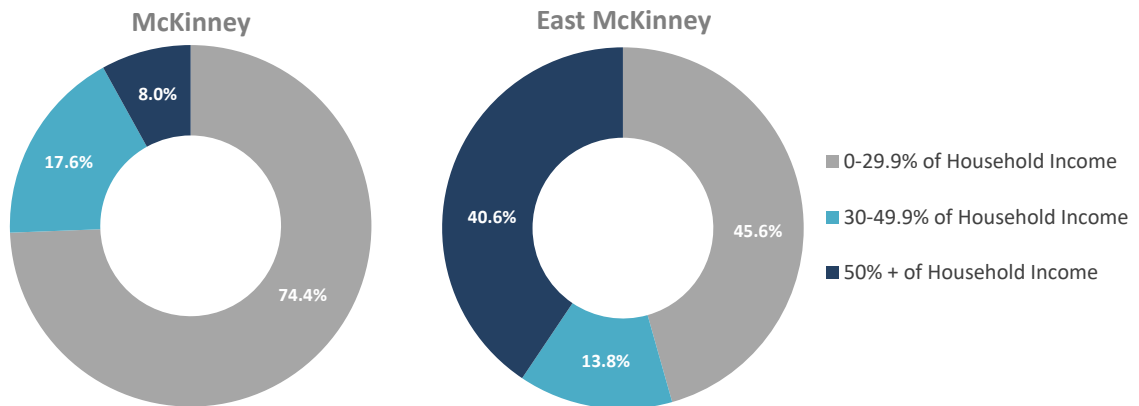


Source: Esri; U.S. Census; Economic & Planning Systems

Among owner-occupied households, cost burden is broken out between households with and without a mortgage. As noted previously, in 2019 homeownership in East McKinney was nearly evenly split along these lines, with 51 percent of homeowners having a mortgage. Of these owner-occupied households with a mortgage, approximately 55 percent, or 130 households, are considered cost burdened, shown below in Figure 14, spending more than 30 percent of their income on mortgage payments and other housing costs (including taxes, utilities, and insurance). The neighborhoods with the largest share of cost burdened households are Mouzon, at 66 percent (82 households) and Rockwall, at 72 percent (26 households). In Mouzon, 95 percent, or 78 households, spend more than 50 percent of their household income on housing payments. In Rockwall, this figure is also significant at 73 percent (19 households).

Citywide, approximately 77 percent of homeowners have a mortgage and 23 percent are free of mortgage debt. Of those with a mortgage, 26 percent are cost burdened, representing a much smaller share compared to East McKinney.

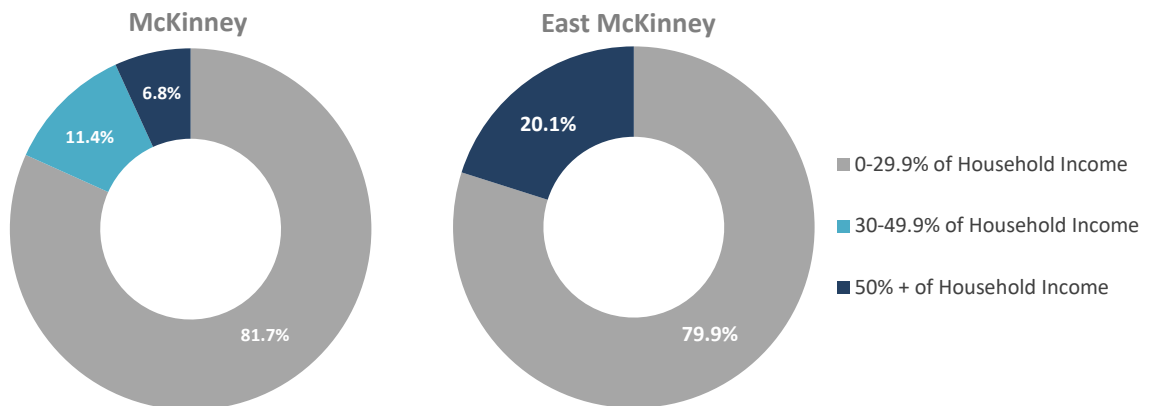
Figure 14. Ownership Costs as a Percentage of HH Income (with Mortgage), 2019



Source: Esri; U.S. Census; Economic & Planning Systems

As might be expected, owner-occupied households without a mortgage have lower housing costs overall. Despite this, in East McKinney approximately 20 percent of these households spend over 50 percent of their household income on housing costs, as shown in Figure 15. Across the City, approximately 18 percent of owner-occupied households without a mortgage are cost burdened, with 11 percent spending between 30 and 50 percent of income on housing, and 7 percent spending over 50 percent of income on housing. The data for this indicator is likely influenced by low incomes. The fact that operational costs (taxes, utilities, heating/cooling, maintenance, etc.) exceeds 50 percent of household income is more an indicator of minimal resources, as opposed to high expenditures.

Figure 15. Ownership Costs as a Percentage of HH Income (No Mortgage), 2019



Source: Esri; U.S. Census; Economic & Planning Systems

While homeownership is often a measure of neighborhood stability—and homeowners that do not have mortgages can be even more stable—the level of cost burden among homeowners in East McKinney indicates that this may be an area of vulnerability. This will be increasingly important as market pressure increases and tax burdens increase alongside property values.



New Housing Development

Nearly all new housing development in East McKinney since 2015 has been single family detached homes, with 2019 representing the highest level of new home development in the area.

East McKinney saw a total of 93 permits for new single family home development from 2015 through 2021, compared to five permits for duplex housing and one permit for multifamily development. One-third of this new housing was in Mouzon, which had 32 new homes permitted over this time. Other new housing was split between the other neighborhoods, ranging from 11 new homes in Lewisville to 18 new homes in Rockwall, as shown in Table 5. 2019 represented the highest level of new home development in East McKinney, with 23 new homes permitted. La Loma saw 35 percent of this development (eight new homes), and Mouzon saw 26 percent (six new homes).

Between 2015 and 2021, the City of McKinney had over 12,300 new single family detached homes permitted, an average of 2,050 new homes per year. The level of new homes permitted citywide has been declining as developers build out available land, with an average of nearly 2,100 per year from 2015 through 2018, and 1,330 per year from 2019 through 2021.

East McKinney has 1.2 percent of total City housing units. With the exception of 2019, East McKinney neighborhoods have comprised less than 1 percent of new single family detached home construction in the city, averaging 0.6 percent of citywide home permits. In 2019, however, the East McKinney neighborhoods accounted for 1.6 percent of new homes permitted in the city.

Table 5. Building Permits - Single Family Detached Homes, 2015-2021

Description	2015	2016	2017	2018	2019	2020	2021	2015-2021	
								Total	Ann. #
Single Family Detached Units									
La Loma	2	3	1	0	8	1	0	15	3
Lewisville	0	2	4	3	1	1	0	11	2
Mouzon	4	3	7	5	6	4	3	32	5
Rockwall	3	2	2	4	4	3	0	18	3
Wilcox	0	1	4	2	4	3	3	17	3
East McKinney Total	9	11	18	14	23	12	6	93	16
City of McKinney	1,969	2,025	2,209	2,128	1,411	1,419	1,165	12,326	2,054
East McKinney % of City	0.5%	0.5%	0.8%	0.7%	1.6%	0.8%	0.5%	0.8%	

Source: City of McKinney; Economic & Planning Systems



Home Sales

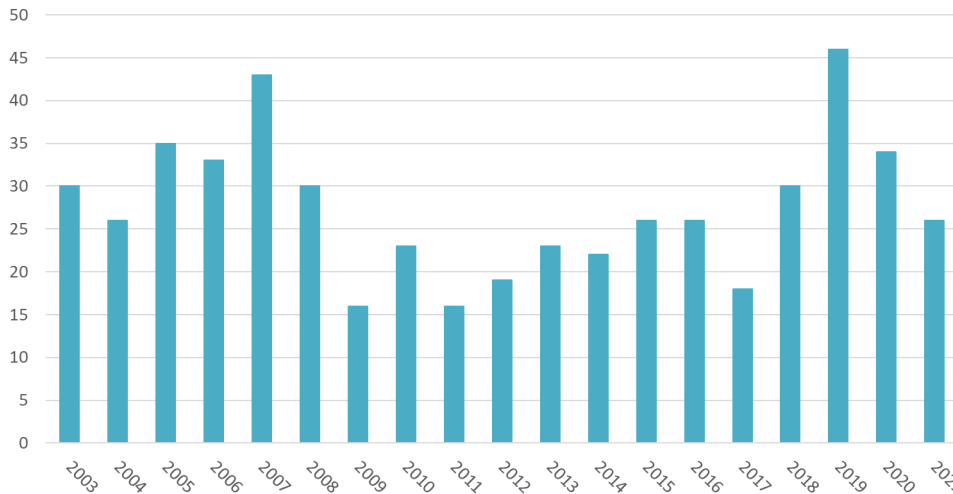
The housing market in East McKinney was more significantly impacted by the 2008 recession than the City and recovery took longer. Since 2010, and especially in recent years, the housing market in East McKinney has escalated rapidly both in terms of sales volume and price.

As shown in Figure 16 and Figure 17, the pattern of home sales in East McKinney has been different from that of the City overall. In East McKinney, a peak in sales volume prior to the 2008 Great Financial Crisis (GFC) was seen in 2007, with a high of 43 sales. The GFC significantly impacted this area, reducing demand with a low of 16 home sales in both 2009 and 2011. Recovery took place slowly beginning in 2012, eventually leading to a high of 46 sales in 2019, exceeding the pre-recession peak. Since 2019, sales volume has declined with 34 home sales in 2020 and 26 in 2021, although this may be due at least in part to market impacts of COVID-19.

Citywide, recovery from the 2008 recession also began in 2012 reaching the City's pre-recession peak much earlier than East McKinney. The previous peak of 3,140 sales (seen in 2006) was exceeded in 2013 with 3,700 sales. Since 2013, sales volume citywide has remained stable, with a peak in 2020 of 4,300 home sales.

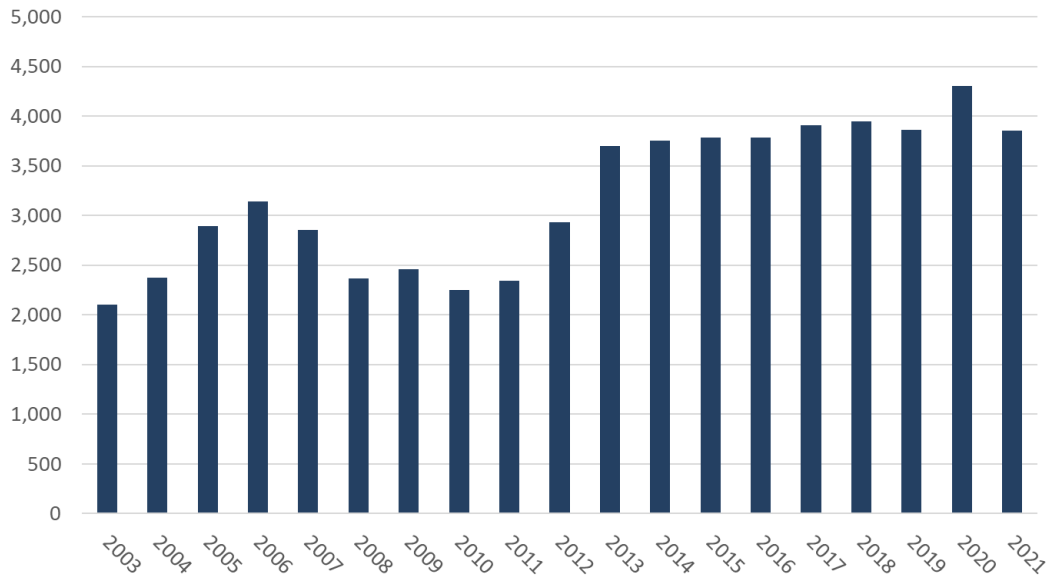
The impact of the recession and recovery is also seen in East McKinney's share of the City housing market. From 2003 through 2007, home sales in East McKinney accounted for an average of 1.3 percent of sales in the City. Between 2008 and 2018 this share declined to an average of 0.7 percent. In 2019, as sales jumped in East McKinney, the area accounted for 1.2 percent of sales in the City.

Figure 16. Closed Home Sales, East McKinney, 2003-2021



Source: MLS; Economic & Planning Systems

Figure 17. Closed Home Sales, City of McKinney, 2003-2021



Source: MLS; Economic & Planning Systems

Home prices have followed a slightly different trend from sales volume. As shown in Table 6 and Figure 18, in East McKinney a pre-recession price peak was established in 2005 with a median home price of \$95,400. From there, prices declined by 45 percent to a low of \$52,600 in 2010 as a result of the GFC. Between 2010 and 2014 there was rapid price escalation, with the median home price increasing 93 percent to \$101,500, average growth of nearly 18 percent annually. This surpassed the pre-recession peak price and since then prices have continued to steadily rise, with average growth of approximately 13.5 percent annually in East McKinney outpacing the City's growth rate. In 2021, the median sale price in East McKinney was \$245,600.

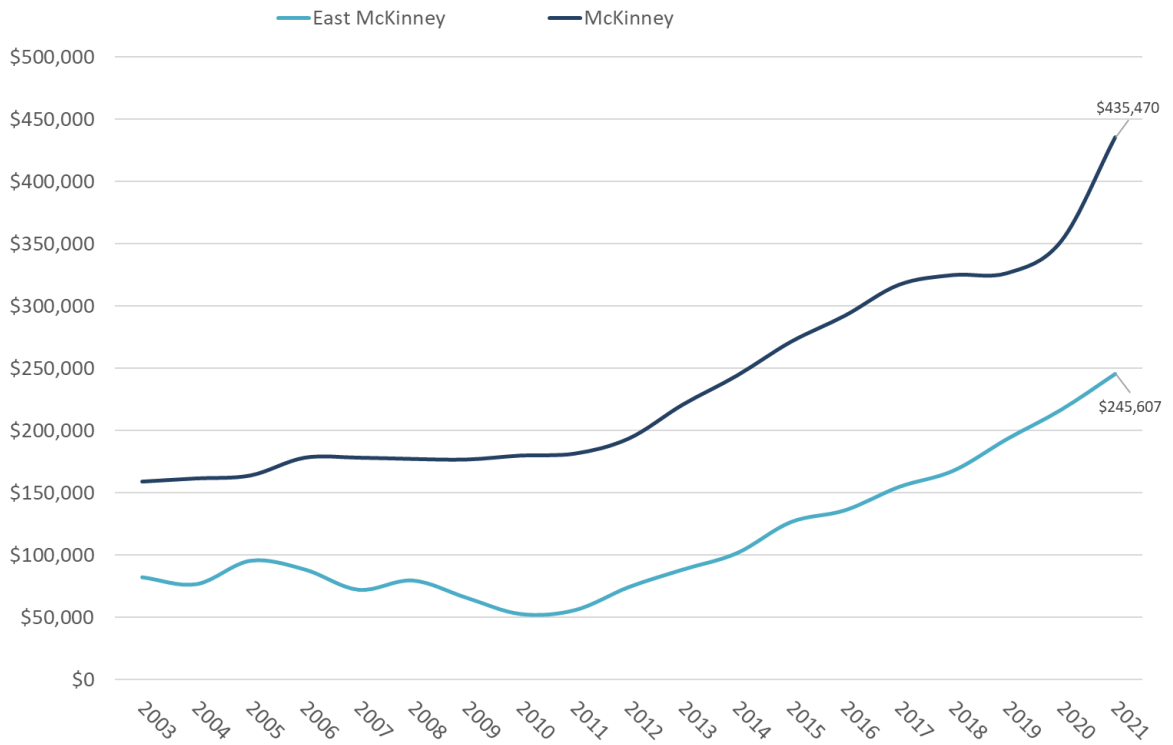
If a household spends 30 percent of its income on housing, an income of \$63,175 would be required to afford the median priced home in East McKinney (assuming 5.0% down, 30 years mortgage, and 5.0% interest). Only 43 percent of households in East McKinney earn over \$50,000 per year, putting ownership of local homes out of reach to many of the area's residents.

Table 6. Median Sale Price, 2003-2021

Year	East McKinney	City of McKinney	Year-over-Year Change		East McKinney as Pct. of City
			East McKinney	City of McKinney	
2003	\$82,150	\$159,308			52%
2004	\$76,578	\$161,859	-7%	2%	47%
2005	\$95,395	\$164,223	25%	1%	58%
2006	\$88,510	\$178,431	-7%	9%	50%
2007	\$72,095	\$178,462	-19%	0%	40%
2008	\$79,557	\$177,470	10%	-1%	45%
2009	\$65,669	\$176,993	-17%	0%	37%
2010	\$52,595	\$180,202	-20%	2%	29%
2011	\$55,661	\$181,730	6%	1%	31%
2012	\$74,241	\$193,802	33%	7%	38%
2013	\$88,333	\$221,054	19%	14%	40%
2014	\$101,500	\$244,234	15%	10%	42%
2015	\$126,533	\$271,402	25%	11%	47%
2016	\$135,993	\$292,382	7%	8%	47%
2017	\$154,768	\$317,174	14%	8%	49%
2018	\$167,718	\$324,945	8%	2%	52%
2019	\$193,313	\$326,491	15%	0%	59%
2020	\$216,841	\$352,127	12%	8%	62%
2021	\$245,607	\$435,470	13%	24%	56%
2003-2010					
Pct. Growth	-36%	13%			
Avg. Ann. Pct.	-6.2%	1.8%			
2010-2014					
Pct. Growth	93%	36%			
Avg. Ann. Pct.	17.9%	7.9%			
2014-2018					
Pct. Growth	65%	33%			
Avg. Ann. Pct.	13.4%	7.4%			
2018-2021					
Pct. Growth	46%	34%			
Avg. Ann. Pct.	13.6%	10.3%			

Source: MLS; Economic & Planning Systems

Figure 18. Median Sale Price, 2003-2021



Source: MLS; Economic & Planning Systems

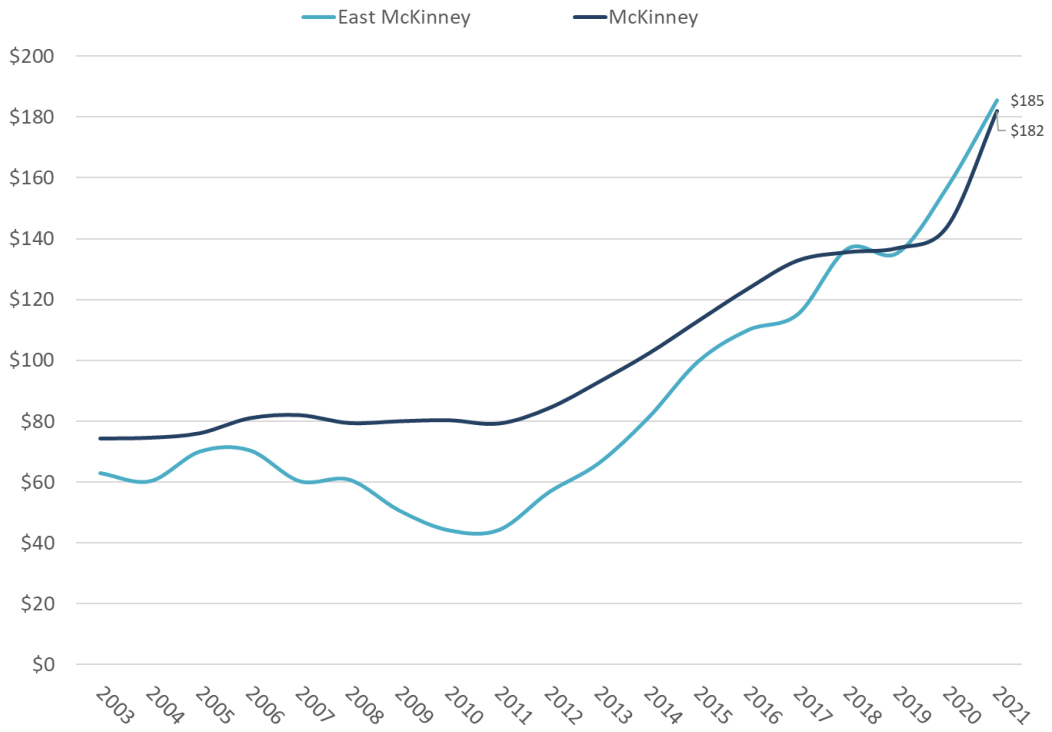
When prices are analyzed on a per square foot rather than a per unit basis, market changes in East McKinney are even starker. Pre-recession, East McKinney prices hit a peak in 2005 and 2006 at \$70 per square foot, then declined to a low of \$44 per square foot in 2010 and 2011. As shown in Figure 19, the price per square foot of homes in East McKinney has rapidly increased since 2011, exceeding the citywide median price in 2018. While in 2010 and 2011 the median price in East McKinney was about 55 percent of the City, since 2018 it has been at or above the citywide level. While per unit prices are still lower in this area due to the presence of smaller homes, this indicates significantly increasing market pressure in East McKinney.

Table 7. Median Sale Price Per Square Foot, 2003-2021

Year	East McKinney	City of McKinney	Year-over-Year Change		East McKinney as Pct. of City
			East McKinney	City of McKinney	
2003	\$63	\$74			85%
2004	\$60	\$75	-4%	0%	81%
2005	\$70	\$76	16%	2%	92%
2006	\$70	\$81	1%	6%	87%
2007	\$60	\$82	-14%	1%	73%
2008	\$61	\$80	1%	-3%	76%
2009	\$51	\$80	-17%	1%	63%
2010	\$44	\$80	-13%	0%	55%
2011	\$44	\$79	0%	-1%	56%
2012	\$57	\$84	28%	6%	67%
2013	\$66	\$93	17%	10%	71%
2014	\$81	\$102	23%	10%	79%
2015	\$100	\$113	23%	11%	88%
2016	\$110	\$124	10%	9%	89%
2017	\$115	\$133	5%	7%	87%
2018	\$137	\$136	19%	2%	101%
2019	\$135	\$137	-1%	1%	99%
2020	\$157	\$144	16%	5%	109%
2021	\$185	\$182	18%	26%	102%
2003-2010					
Pct. Growth	-30%	8%			
Avg. Ann. Pct.	-4.9%	1.1%			
2010-2014					
Pct. Growth	84%	27%			
Avg. Ann. Pct.	16.5%	6.2%			
2014-2018					
Pct. Growth	68%	33%			
Avg. Ann. Pct.	13.9%	7.3%			
2018-2021					
Pct. Growth	36%	34%			
Avg. Ann. Pct.	10.7%	10.3%			

Source: MLS; Economic & Planning Systems

Figure 19. Median Sale Price Per Square Foot, 2003-2021



Key Housing Findings

1. *The majority of East McKinney residents live in single family housing units, and these units are older than citywide housing.*

Similar to trends evaluated in the City at large, single family homes make up 76 percent of the housing inventory in East McKinney. While 66 percent of the overall City's homes were built after 1999, only 24 percent of East McKinney housing units are this new. The majority of housing units in the neighborhoods were built prior to 1980.

2. *A significant portion of East McKinney residents are renters, and the share of renters has increased since 2010 as homeownership rates across the neighborhoods declined.*

Nearly 60 percent of households in East McKinney rent their homes, a much higher share than the City overall where only 33 percent of households rent. Renters have increased as homeownership in East McKinney has declined since 2010, from 55 percent to 42 percent, a much steeper decline than in the City overall (which saw a decline from 71 percent to 67 percent). A significant number of renters is likely to require different policies and approaches than ownership housing.

3. *In East McKinney, 45 percent of renters and 54 percent of homeowners are considered cost burdened.*

The proportion of cost burdened renter households in East McKinney is similar to the City at large. The primary difference in cost burden is seen in homeowners, particularly those without a mortgage. This difference is likely related to low incomes (and less ability to pay for housing costs) rather than high costs alone.

4. *Nearly all new housing development in East McKinney since 2015 has been single family detached homes, with 2019 representing the highest level of new home development in the area.*

East McKinney saw a total of 93 permits for new single family home development from 2015 through 2021, compared to five permits for duplex housing and one permit for multifamily development. One-third of this new housing was in Mouzon. 2019 represented the highest level of new home development in East McKinney, with 23 new homes permitted. La Loma saw 35 percent of this development (eight new homes), and Mouzon saw 26 percent (six new homes).

5. *The housing market in East McKinney was more significantly impacted by the 2008 recession than the City and recovery took longer. Since 2010, and especially in recent years, the housing market in East McKinney has escalated rapidly both in terms of sales volume and price.*

In East McKinney, a peak in sales volume prior to the 2008 Great Financial Crisis (GFC) was seen in 2007, with a high of 43 sales. The GFC significantly impacted this area, reducing demand with a low of 16 home sales in both 2009 and 2011. Recovery took place slowly beginning in 2012, eventually leading to a high of 46 sales in 2019, exceeding the pre-recession peak.

Home prices have followed a slightly different trend from sales volume. East McKinney saw a pre-recession price peak in 2005 with a median home price of \$95,400. From there, prices declined by 45 percent to a low of \$52,600 in 2010. Between 2010 and 2014 there was rapid price escalation, with the median home price increasing 93 percent to \$101,500. This surpassed the pre-recession peak price and since then prices have continued to steadily rise, with average growth of approximately 13.5 percent annually in East McKinney outpacing the City's growth rate.

6. *These housing trends and challenges combined indicate where the most significant needs and opportunities for preservation and anti-displacement strategies lie.*

A significant (and growing) proportion of renters, lower household incomes, and rising housing prices create circumstances that make East McKinney residents particularly vulnerable to market and displacement pressures. These factors will guide the strategy development in the next phase of this project.

C. Resident Survey

In addition to the data analysis presented in the previous chapters, a community survey was fielded to get more detailed feedback from East McKinney residents on housing and related challenges. A specific goal of the survey effort was to characterize needs and challenges of residents that are not captured in traditional datasets (e.g., what the most significant challenges being faced are, what would most help). Listening to the perspectives of East McKinney residents has been central to the project from the outset, and this feedback will be used to inform strategies and actions to be taken.

Survey Overview

The survey was fielded online and in a paper version in Spring and Summer 2022. Distribution occurred through social media posts, direct contact (e.g., Meals on Wheels volunteers), presence at community events, and neighborhood canvassing. Specific outreach for the survey included:

- ▶ East McKinney Community Conversation (Old Settlers Recreation Center, March 2022)
- ▶ Heart, Mind and Soul Expo (Family Health Center on Virginia, May 2022)
- ▶ Tacos with Cops (June 2022)
- ▶ Neighborhood canvassing (2 days, June 2022)

While survey results cannot be extrapolated to encompass the entire East McKinney community (for example, homeowners responded at a much higher rate than renters), the responses provide critical qualitative information regarding the most significant needs and challenges facing these neighborhoods and will help prioritize strategies within the preservation plan. Data summarized in this chapter reflects information provided by respondents who live in East McKinney.

SURVEY RESPONSES

309 respondents

173 (56%) live in East McKinney

East McKinney respondents live in...

- o Mouzon/Central (17%)
- o Lewisville (16%)
- o La Loma/Lively Hill (12%)
- o Rockwall (8%)
- o Wilcox (3%)

78% of East McKinney respondents speak English at home; 20% speak Spanish

Key Survey Findings

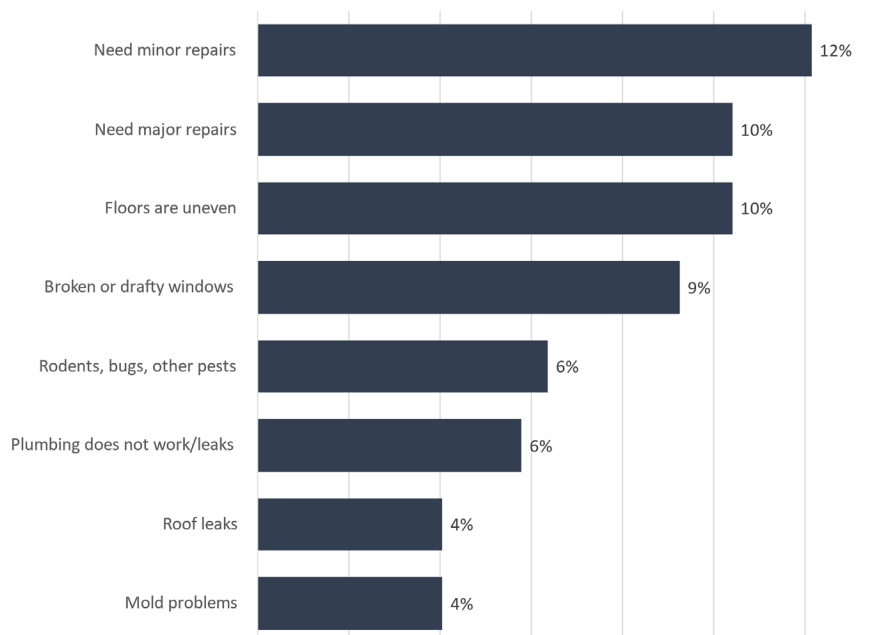
The survey highlighted key issues facing the East McKinney community, and how these issues are affecting residents of each neighborhood in different ways.

Overall, East McKinney residents are satisfied with their housing conditions.

As shown below, the most significant housing need reported by respondents was the need for minor repairs, with 12 percent indicating that this is a major issue. This was followed closely by the need for major repairs (10 percent), uneven floors (10 percent), and broken or drafty windows (9 percent).

This feedback can help prioritize strategies moving forward – for example, expanding the City’s current repair program, or helping residents gain access to these resources. Additionally, the cost data presented below combined with issues with high utility costs may indicate an opportunity for home retrofit programs to increase energy efficiency.

Survey Question: How Would You Rate Your Level of Concern with the Following Conditions in Your Current House or Apartment? (Major Issue)



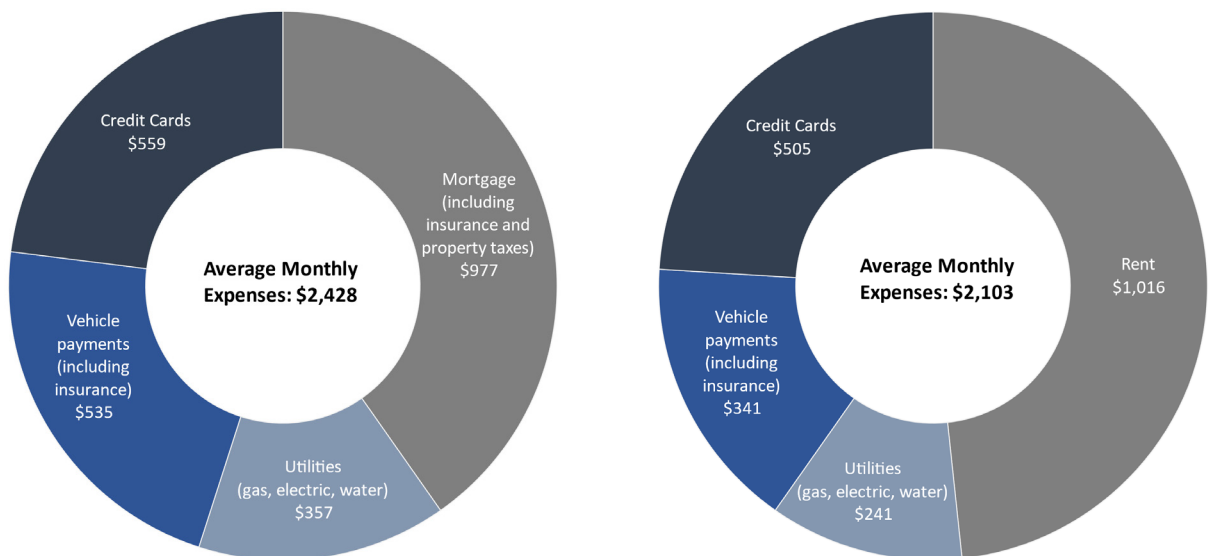
In addition to mortgage and rent costs, other monthly expenses add up for residents of East McKinney, putting additional financial pressure on households.

As shown below, average monthly expenditures reported through the survey are similar for renter and owner households and fall between \$2,100 and \$2,500 per month. Direct housing costs (mortgage or rent) make up a significant portion of expenses; other significant factors include credit cards, vehicle payments, and utilities. Because not all survey respondents reported both expenses and household income, metrics of cost burden cannot be calculated; however, it is informative to see the composition of monthly expenses for owner and renter households and to better understand where - outside of housing costs - pressure is being felt.

For homeowners, mortgage payments (including insurance and property taxes) average \$977 per month, representing 40 percent of average monthly expenditures of \$2,428. Credit card payments are the next most significant expense, at 23 percent of monthly spending (\$559), followed by vehicle payments (22 percent) and utilities (15 percent).

For renter households who responded to the survey, rent averages just over \$1,000 per month, accounting for an average of 48 percent of total expenditures of \$2,103. This is followed by credit card payments at 24 percent (\$505), vehicle payments (16 percent), and utilities (11 percent). It is also important to note that while total expenditures are similar for owner and renter households, typically household incomes are lower for those who rent, meaning a greater proportion of income needs to be put towards these costs.

Survey Question: Average Monthly Expenditures, Owner and Renter Households

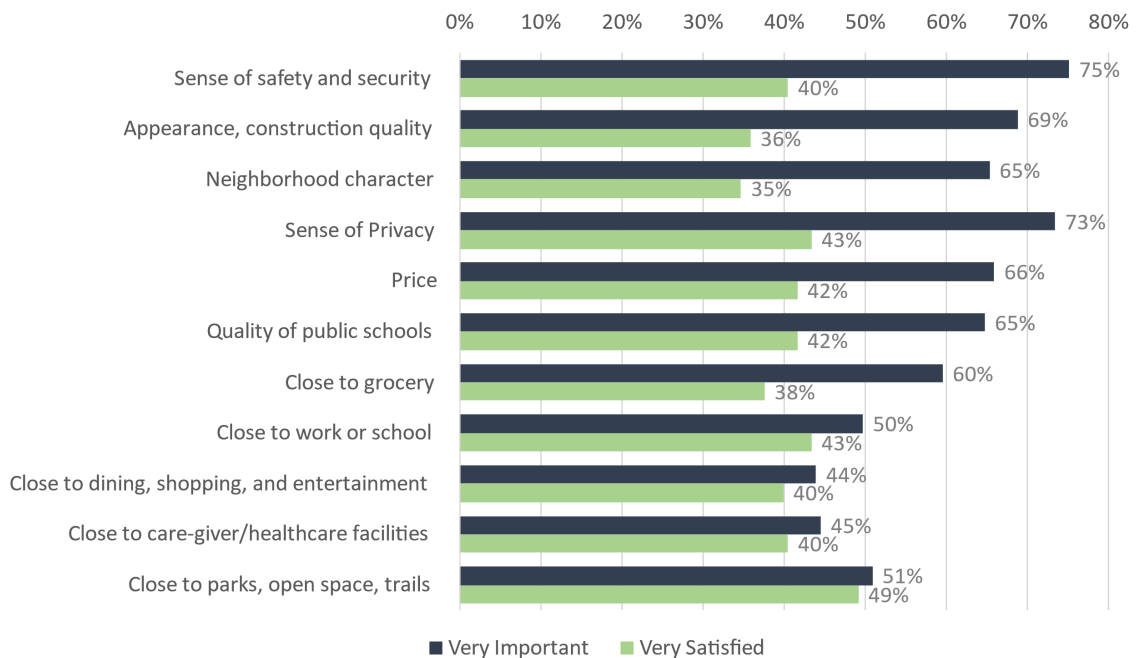


A household with a budget of \$977 for a mortgage payment can afford a home up to \$191,600, and if renter households put their \$1,016 towards a mortgage payment they can afford a home up to \$199,300. With the current median home price in East McKinney at \$245,600, households are constrained in where they can go. Current owners may not be able to move and may also be vulnerable to increasing property values and the tax increases that come along with that. Renter households, who are already more vulnerable to increasing housing costs, also have limited options to move into homeownership.

East McKinney residents are generally satisfied with locational characteristics of the area (e.g., proximity to amenities and services) but there is a gap between sense of importance and satisfaction for other area characteristics.

The figure below shows the difference between level of importance and level of satisfaction noted by residents for various neighborhood characteristics. Ordered by the gap between importance and satisfaction, this shows that residents highly value factors such as safety/security, home appearance/quality, neighborhood character, and privacy but do not feel satisfied to the same degree that they value these. The factors where the gap is smallest include proximity to parks, health care, and commercial services. These might be expected given the investment in recreation and parks as well as East McKinney’s proximity to downtown.

Survey Question: How Important Are the Following Considerations in Where You Would Prefer to Live, and How Satisfied are You With Your Current Residence/ Location? (Scores of 4, 5 out of 5)



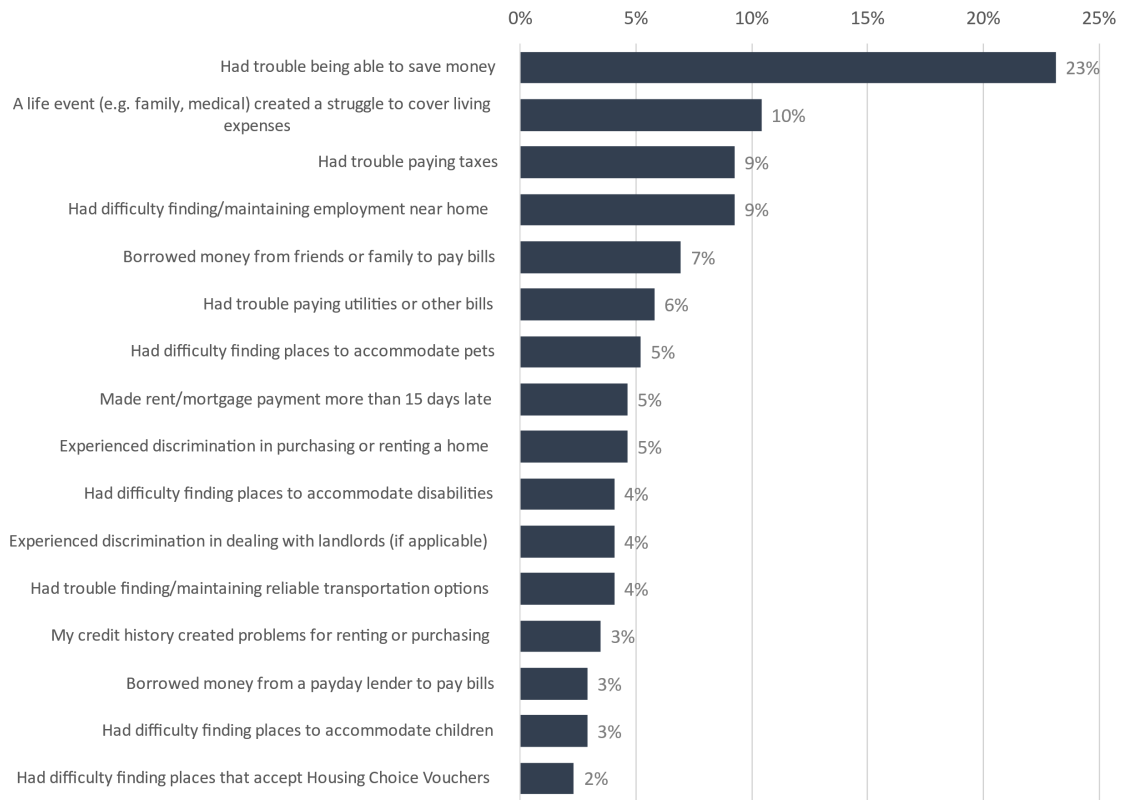
Financial challenges were the most common challenges reported by East McKinney residents, with nearly one-quarter of respondents struggling to save money.

The figure below highlights challenges that were reported “often” or “always” within the last 5 years, and financial challenges are the most common. As shown, nearly 1 in 4 respondents has trouble being able to save money, while 1 in 10 experienced a life event that created a struggle to cover living expenses, and nearly as many had trouble paying taxes.

These three financial challenges at the top of the list highlight the vulnerability of residents in East McKinney to rising costs, and point to a potential need for programs to assist with financial stability for East McKinney residents.

At the same time, the small number of respondents facing challenges with inclusivity (e.g., finding home to accommodate children or disabilities) is a positive factor of the neighborhoods.

Survey Question: How Frequently Have the Following Challenges Occurred in the Last 5 Years? (Often, Always)



Most East McKinney residents who completed the survey intend to stay in their homes for at least 10 years, with many intending to stay for longer than 20 years.

Overall, 56 percent of East McKinney residents who answered this question intend to stay in their current home for 20 years or longer, and another 13 percent intend to stay for 10 to 20 years. Respondents’ answers are broken down below by how long they have been in their current home, and as shown residents with greater longevity in their current home are more likely to intend to stay.

Taken in context with the data presented above, there is a tension among residents in the area between a desire to stay and the realities of the challenges they face (rising costs, financial instability, etc.). A key piece of the preservation plan will be how to support these households who want to stay in East McKinney but may need access to resources in order to do so.

Survey Question: “How Long Do You Intend to Stay in Your Current House or Apartment?”

	How long do you plan to stay in your current home?					
	Less than 1 year	1 to 2 years	3 to 5 years	5 to 10 years	10 to 20 years	Longer than 20 years
How long have you lived in your current home?						
Less than 1 year		2			1	3
1 to 4 years	3	5	7	8	6	11
5 to 9 years	3	1	2	3	2	10
10 to 19 years		1	4		4	21
20 years or more	1		4		4	33
Total	7	9	17	11	17	78

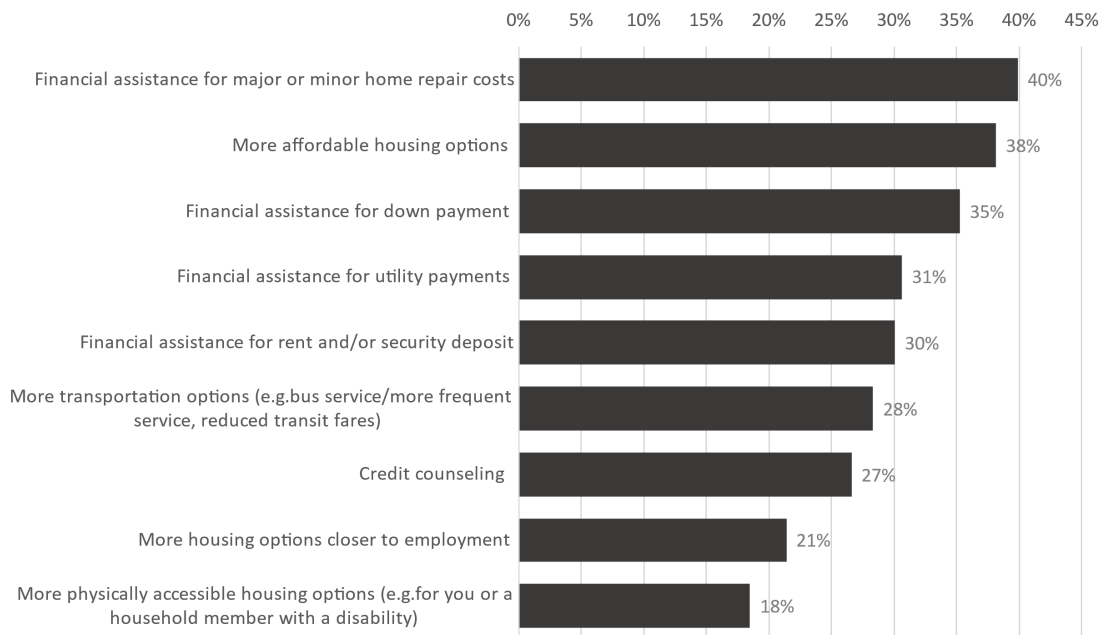
Source: Economic & Planning Systems

When asked what would help overcome challenges being faced, most residents indicated that financial support programs would provide the greatest assistance.

As shown below, financial assistance for home repairs was the highest rated assistance, with financial assistance for down payments, utility payments, and rent/security deposits also highly ranked. More affordable housing options were also desired.

Some of these assistance programs already exist within the City, some may be provided by other organizations, and others would need to be established. The survey results will help inform the next phase of this effort when tools and strategies will be determined.

Survey Question: How Much Would the Following Help You Overcome These Challenges? (Somewhat, Very)



D. Redevelopment Context

In addition to analyzing data related to the conditions of East McKinney for residents, there is a need to evaluate the community in light of the larger market context. In this chapter, the larger perspective addresses the degree to which the area is attracting investment now and how the market views this subarea. Details are provided related to public investments as well as metrics related to current industrial uses. The purpose is to provide the City with a broader understanding of the pressures the neighborhood faces and opportunities the City can create as it develops a plan for stabilization.

In addition to the data presented here, interviews with local stakeholders have indicated that this pressure is being felt by residents on an individual level. Residents are seeing homes and lots being purchased by buyers external to the area, and in some cases are receiving unsolicited offers of purchase for their homes.

Industrial Context

There is a significant amount of industrial development in and around East McKinney. With strong rents and low vacancy rates this is currently an economic driver; however, large parcels of land may be attractive to developers, particularly as residential market pressure grows with its commensurate returns.

East McKinney has 143,400 square feet of retail space and 15,900 square feet of office space, compared to 1.29 million square feet of industrial space. The industrial market in both the City at large and East McKinney represents the largest commercial use of land and is a significant economic driver. In East McKinney, industrial space has more than doubled since 2010, increasing by 720,000 square feet, or 7.7 percent annually, as shown in Table 8.

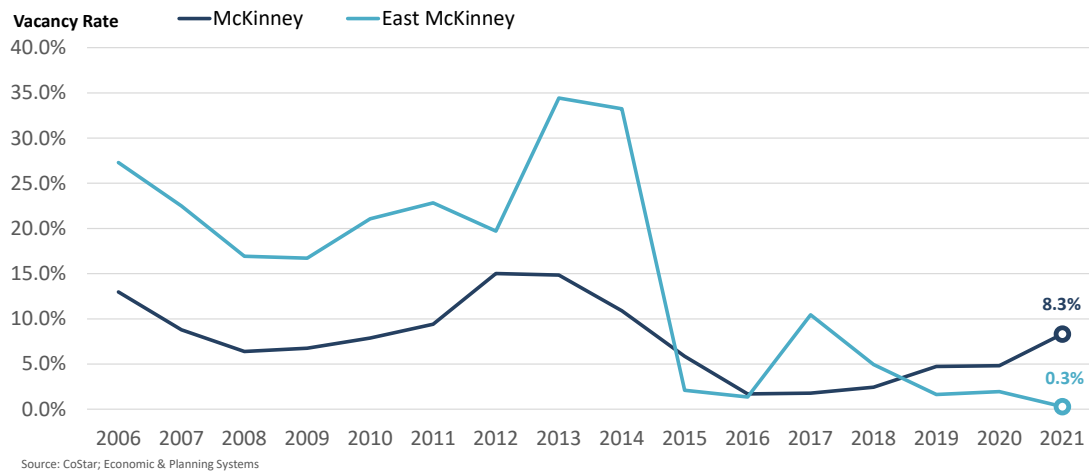
Table 8. Industrial Development, 2010-2021

Inventory (sq. ft.)	2010	2015	2021	2010-2021			2015-2021		
				Total	Ann. #	Ann. %	Total	Ann. #	Ann. %
McKinney	9,020,020	9,150,450	12,378,512	3,358,492	305,317	2.9%	3,228,062	538,010	5.2%
East McKinney	573,725	573,725	1,293,725	720,000	65,455	7.7%	720,000	120,000	14.5%

Source: CoStar; Economic & Planning Systems

This industrial space is performing well. As of the fourth quarter of 2021, the average vacancy rate for industrial space was 8.3 percent in the City and 0.3 percent in East McKinney, as shown in Figure 20. Given that a standard vacancy rate that represents equilibrium for industrial uses ranges from 8 to 12 percent, this low vacancy rate reflects strong market conditions within East McKinney. It is important to note, though, that the base floor area is small, and thus the submarket is subject to considerable fluctuations. For example, rates spiked to nearly 35 percent in 2013 before rapidly falling to 2.1 percent in 2015 and have remained relatively low since then.

Figure 20. Industrial Vacancy Rate, 2010-2021

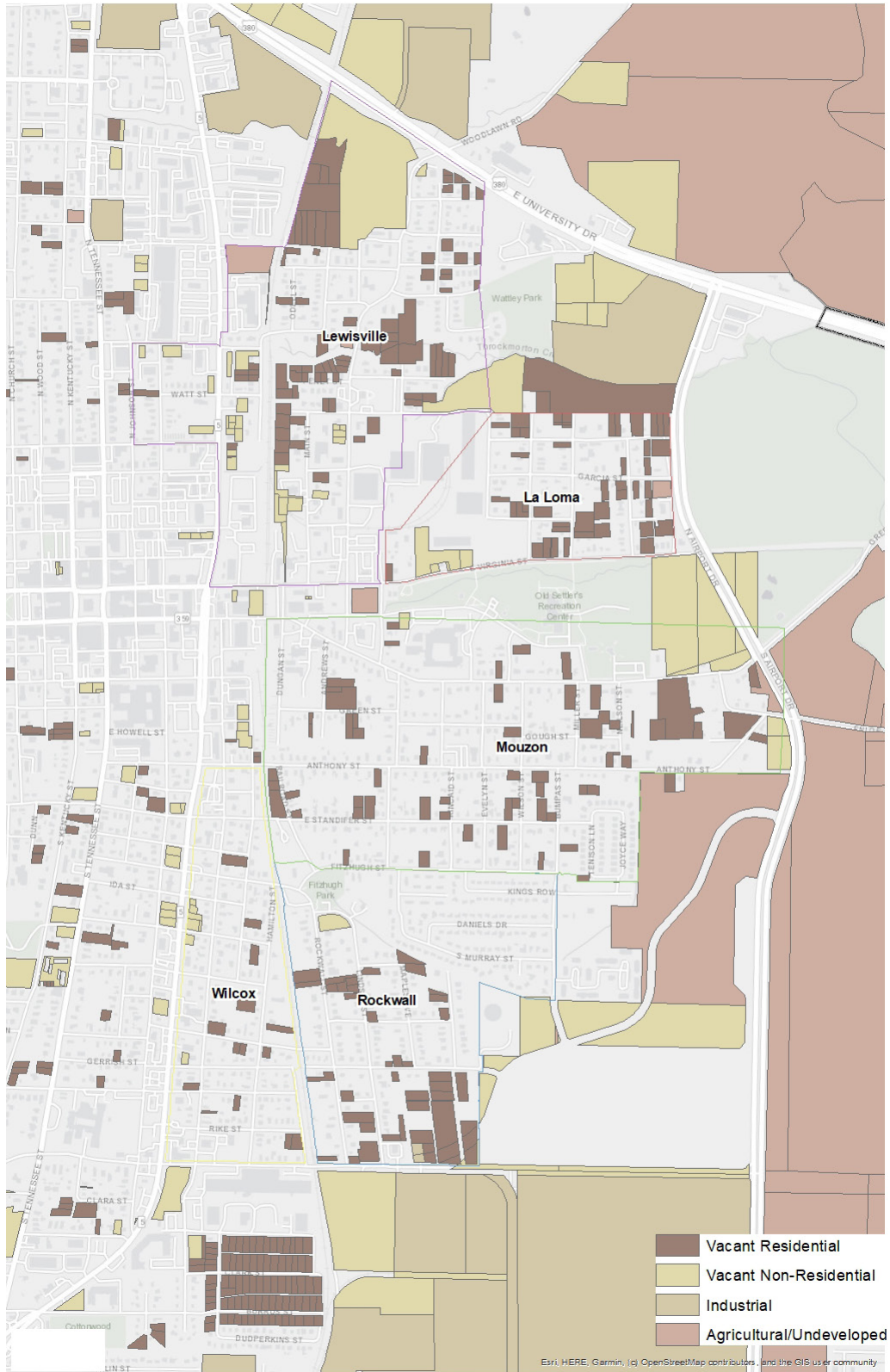


Land Capacity

With over 1,000 acres of potentially developable land in and around East McKinney, crafting a strategic preservation plan will be critical to ensuring that growth in this area happens in an intentional manner.

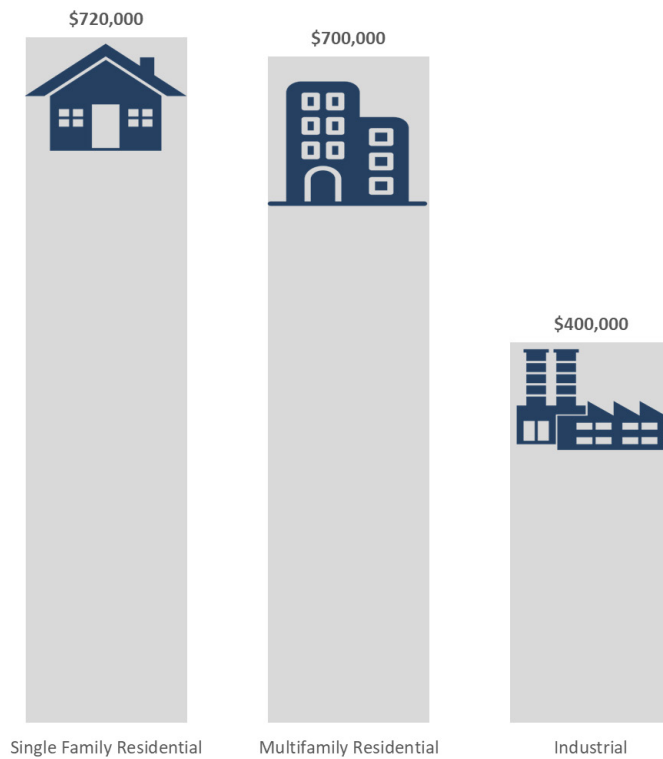
Figure 21 shows industrial, vacant, and undeveloped land (based on county assessor parcel records) in East McKinney and the surrounding area. As illustrated, there is a significant amount of development potential in this area. While a full redevelopment potential analysis was not a part of this effort, the City is reaching buildout of greenfield development sites which means that pressure will begin to increase on infill development. East McKinney, with its proximity to downtown, will likely feel the effects of demand generating from this area. Complicating the set of choices for the City is that the market pressure is high for residential and industrial land uses, both of which put pressure on existing residents. The City is in a good position to direct the market with land use policy, given the strength of current conditions.

Figure 21. Vacant and Large Parcels



One key factor in redevelopment potential is land value – both what land can currently be purchased for (raw land value), and the cost of that land once it is redeveloped (finished land value). As shown in Figure 22, based on planning-level assumptions residential development can provide a 1.75 to 1.8 times increase in value over industrial development.

Figure 22. Estimated Land Value per Acre, Residential and Industrial



East McKinney Projects

In addition to the development and redevelopment potential outlined above, there are a number of civic investments currently underway or recently completed in the East McKinney area. These include infrastructure, public amenities, a new City Hall, and other types of property redevelopment.

While these projects may not all have a direct impact on neighborhood preservation, they indicate that the area is attracting investment and can generate interest from private capital. Understanding the benefits these investments provide is a key piece of framing up opportunities and challenges moving forward.

In addition to private development, East McKinney projects include:

Infrastructure

- East Louisiana Public Parking Lot
- Green & Andrews: roadway, curb & gutter, resurfacing, reconstruction, parking, lighting, and landscaping
- Virginia & Throckmorton: comprehensive street, drainage, utility, pedestrian and lightning improvements
- SH 5 City Utility Relocation: Permanent and temporary easements to accommodate utility improvements required as part of the TxDOT S.H.5 reconstruction project

Civic Investment and Redevelopment

- Municipal Community Complex: New facility for all City departments and staff
- Chestnut Water Tower: Repainting, lighting, site improvements, and accommodations for cellular providers
- McKinney Silo Mural Project: Installation of a mural on the historic silos and grain elevator, to serve as the backdrop for the new Municipal Community Complex
- Old Settler's Park: expansion of the playground and pavilion area with additional site amenities such as climbing boulders and swings

- Old Settler’s Recreation Center: Construction of new facility (complete)
- TUPPS Brewery: Relocation and expansion of campus to the historic Mill District, including a tasting taproom, production facility, retail space, and entertainment venue
- Wattley Park: Update of the playground area, pavilion, sports court and install walking trails

Other Projects

- S.H. 5 (TxDOT): Full reconstruction from Spur 399 to Power House Street, including wide sidewalks and improved stormwater systems
- Spur 399 (TxDOT): Realignment to address reduced mobility and connectivity between the eastern portion of Collin County and destinations south of McKinney
- Neighborhood Sign Topper Program: Sign toppers for the street signs in each neighborhood (complete)

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SECTION II: COMMUNITY ENGAGEMENT

A. Engagement Overview

Community engagement and outreach was central to this study, providing information on current conditions and challenges facing residents as well as guidance on how to address displacement pressures in East McKinney.

Specific outreach activities sought out and considered the viewpoints of a wide cross-section of the study area with a targeted focus on reaching populations that are traditionally under-represented in planning processes (e.g., communities of color, low-income communities, immigrants, youth, and seniors).

In accordance with the guidelines for McKinney's Public Engagement Six-Step Guide for Capital Projects, the Neighborhood Preservation Plan utilized a "Collaborative" approach which required the maximum level of engagement to achieve the desired outcomes of the study.

The engagement followed the guiding principles highlighted in the City of McKinney's Six Step Guide, which emphasizes:

- ▶ **Inclusion and Mutual Respect** - Ensure public notice and engagement is based on building trust and seeking to involve all stakeholders and range of perspectives, without predetermined outcomes.
- ▶ **Early Involvement and Timely Communication** - Communicate as early as possible in the engagement process, provide regular updates, and ensure timely information that supports stakeholder participation.
- ▶ **Clear and Accessible Communication** - Use plain language and a wide range of tools and techniques for communicating and engaging with stakeholders.
- ▶ **Open-two-way Communication** - Work with stakeholders in a cooperative and collaborative way to share information and provide opportunities for constructive dialogue.
- ▶ **Fiscally Sustainable** - Ensure methods and resources for public notice and engagement reflect the magnitude, complexity, and costs to the extent possible for each initiative.
- ▶ **Transparent and Accountable** - Share information and provide feedback about how community input was considered and/or integrated.
- ▶ **Continuous Improvement** - Review process and seek better ways of engaging the community and provide efficient and effective public notice and engagement processes.

In addition to these guiding principles established by the City of McKinney, outreach for this effort also underscored the importance of and incorporated:

- ▶ **Integrity and Equity** - Community engagement and input assisted in determining the best options for addressing stakeholder needs for neighborhood preservation. The community engagement process was conducted with integrity and honored the input and ideas of stakeholders in the community in an equitable manner.
- ▶ **Community Education** - The engagement activities educated the public on the economic and social implications associated with the proposed neighborhood preservation strategies, communicated in a manner that allowed for robust participation and informed decision-making.
- ▶ **Building Long-Term Capacity for the Community Quality of Life Issues** – This work sought to build social capital and support those engaged through the process to stay involved and share not only concerns and issues, but also solutions and strategies necessary to implement the best solutions for East McKinney.

Key Audiences

This project was an opportunity to continue to build upon a network of increasingly diverse and engaged community members to collectively contribute to solutions that better quality of life for all residents and preserve neighborhood integrity. The key audience was residents in East McKinney. Other stakeholders were targeted through the various engagement methods, and included:

- ▶ Property owners and renters (single family and multifamily) in and around the study area neighborhoods (specifically including seniors and older residents)
- ▶ Local organizations (including faith-based organizations, neighborhood associations, community-based organizations, advocacy groups, advisory boards, educational institutions, and others)
- ▶ Developers
- ▶ City of McKinney elected officials and internal staff

Outreach Strategies

Outreach was conducted throughout the project process, and included both general and targeted strategies. These included:

General Strategies

Website

Information and updates on the Neighborhood Preservation Plan were included on the webpage for the East McKinney Redevelopment and Preservation Area (within the City of McKinney’s website).

Other Social Media

Throughout the study, content was posted to Facebook, Twitter, Instagram, YouTube, and email lists shown to have successful engagement metrics for the City of McKinney. Every effort was made to provide Spanish translation for each post.

Community Conversation Meeting

The neighborhood preservation study had a presence at the East McKinney Community Conversation in March 2022. This was the kick-off to the study and provided general information to residents and community members and an initial opportunity to provide thoughts and feedback.

Resident Survey

A community survey, available both online and in paper copies, was fielded to get more detailed feedback from East McKinney residents and community members on housing and related challenges.

Targeted Strategies

Door-to-Door Canvassing

Targeted canvassing was conducted across the East McKinney neighborhoods, over weekdays as well as weekends, to supplement responses to the neighborhood survey. The purpose of the targeted canvassing was to raise awareness about the neighborhood preservation study and to collect community input on needs and priorities. Canvassing was conducted in both English and Spanish, as appropriate.

Project Pop-Ups and Special Events

The project team also attended a number of pop-up events to engage with community members in other settings. These included the Heart, Mind and Soul Expo and the Tacos with Cops event, both in Spring 2022.

Focus Groups

A series of focus groups was held in November 2022 to hear more detailed feedback from neighborhood residents. By engaging small groups of individuals, opportunities were provided for the groups to interact and converse with each other while providing feedback to a group facilitator.

Stakeholder Interviews

Direct interviews were conducted with key stakeholders in the area that were not included in other outreach efforts. The interviews primarily focused on property owners, developers, and service providers to learn about goals and perceptions of East McKinney as well as opportunities and barriers for change.

B. Engagement Outcomes

Community Conversation

At the East McKinney Community Conversation, held in March 2022, residents had an opportunity to learn about the *Neighborhood Preservation Plan* and provide general comments on housing and other challenges in the East McKinney neighborhoods. In addition to receiving information about the project, there was an opportunity for attendees to take the resident survey on tablets as well as takeaway handouts that had a QR code for the survey. This event also included a short, 15-minute presentation multiple times throughout the evening where attendees could hear directly from the project team about the study and had an opportunity to provide feedback in a smaller group setting.

Resident Survey

As outlined in the Existing Conditions section (I.C), a community survey was fielded to get more detailed feedback from East McKinney residents on housing and related challenges. A specific goal of the survey effort was to characterize needs and challenges of residents who are not captured in traditional datasets (e.g., what the most significant challenges being faced are, what would most help).

The survey was fielded online and in a paper version in Spring and Summer 2022, and received over 300 responses. Distribution occurred through social media posts, direct contact (e.g., Meals on Wheels volunteers), presence at community events, and neighborhood canvassing. Survey findings are summarized in the Existing Conditions section of this report.

Focus Groups

A series of focus groups was held in November 2022 to hear more detailed feedback from neighborhood residents on challenges and opportunities in their communities. A total of 24 residents participated, providing information on housing along with other community concerns and opportunities. Key themes of the feedback were:

Resident Needs: Participants noted that the multigenerational characteristic of the East McKinney neighborhoods were a positive factor and a draw to the community, but at the same time these long-time homeowners are facing challenges with increasing property taxes. Participants also brought up a number of unmet needs that they see in their communities. These included:

- ▶ A desire for communication that is more tailored to the need of the community. For example, for residents without internet who cannot access online material or residents without social media. There was a desire for mail, door hangers, phone calls, and text messages;
- ▶ An overall desire to be more informed about what developers and landowners are doing in the area;
- ▶ An interest in community advocacy (an organization similar to an HOA);
- ▶ Better access to local resources, including concerns that with recent increases in fees for the recreation center it is no longer affordable to local community members; and
- ▶ An interest in broader education around housing and real estate - for example, understanding how property valuations are done and why values increase, and helping older residents learn about assistance programs and how to stay in their homes.

General Concerns: Additional concerns were raised around issues such as lighting, transportation (desire for better sidewalks - or sidewalks at all - and connectivity, as well as concerns about poor road conditions). Participants also noted that there is a perception among community members that decisions have already been made by the time they are consulted, and that sometimes the scheduling of public meetings or hearings makes it difficult for them to attend and share their thoughts or concerns.

Stakeholder Interviews

As part of the outreach process, interviews were conducted with key stakeholders in the area that were not included in other outreach efforts. The interviews primarily focused on property owners, developers, and service providers to gain a deeper understanding of the challenges and opportunities facing East McKinney. The feedback from this outreach helped develop an understanding of the market and development context of East McKinney, and inform the strategies that would best meet the needs of the community in the face of this market context. Four key themes emerged from these interviews:

1. Competition for Available Land

Multiple interviewees noted that land availability has become more challenging in recent years, with parcels being purchased before making it to market or with significant development challenges. The challenges differ for large and small lots.

Many of the small lots remaining are very small, irregular sizes or shapes, and/or have heirship issues that need to be resolved. Many small lots in East McKinney require variances in order to construct housing (although recently changed City ordinances are likely to make this easier). Despite these development challenges, land prices have been significantly increasing. Along with more competition for land that becomes available, it is more difficult for individuals and community-based organizations to purchase land as it comes on the market.

2. Infrastructure Needs and Costs

In contrast to the small-lot challenges of small and irregular parcels and competition for a small inventory, with large development sites the most significant challenges are infrastructure needs and costs (including sidewalks, water, sewer, and other needs). Interviewees consistently noted that infrastructure needs were one of the biggest challenges to development, and the challenges increase the further east a site is. Sites that are within the TIRZ may be easier to develop because there is funding/incentives available to assist with infrastructure costs, while for sites outside of the TIRZ developers are having to think differently about how to get infrastructure in place. Additionally, some sites in East McKinney have environmental remediation needs that create additional cost burdens to development.

3. Market Pressure

Market pressure in East McKinney came up multiple times in interviews, and points to one of the future challenges for this area. Downtown McKinney has been very successful, and as that area becomes built out many see the market starting to migrate east. Particularly with the relocation of City Hall and the Tupps Brewery project, there is a sense that the feeling of downtown will start to encompass and cross Highway 5 and move into East McKinney. Some of this is already being seen in development costs – new construction, particularly multifamily, requires rents over \$2.00 per square foot in order to make construction feasible. Site configuration also plays a role in this, as most sites close to downtown require underground parking which increases construction costs. While sites further to the east may be able to develop with surface parking, the market has not pushed that far out yet. However, if airport activity increases there may be additional interest from businesses to locate

in the eastern portion of the area which may also change market dynamics. Additionally, as infrastructure improvements are made in East McKinney the development pressure is likely to accelerate.

These changes are being felt on both a large development and an individual property level. Community organizations that purchase homes are being priced out of the market as home prices increase, and existing residents are facing increasing property tax bills as property values go up. Additionally, home repair programs that used to be able to complete simple repairs for \$2,500 are now being faced with more significant repairs of \$30,000. In the face of the market pressure which is leading to unsolicited offers of purchase for long-time residents' homes, these investments – while significant – are necessary to keep these residents in their community.

4. Development Opportunities

With the market pressure coming to East McKinney, a number of development opportunities were identified. Within East McKinney, opportunities were noted for restaurants, hotels, and small office spaces. These are likely to develop slowly over time, as the new City Hall and Tupps bring additional foot traffic to the area.

For large-scale development, East McKinney is one of few remaining areas in the city with large tracts of land available, and so it is where there is likely to be development interest. Additionally, with the success of Downtown McKinney, particularly multifamily development, investors are better able to see the opportunity for projects in this area. Currently, the most significant opportunities are close to Downtown, but as noted previously if the airport increases operations that may change the market dynamics.

For office users, large spaces are limited and so when a tenant requires more space than is available they either have to split into multiple spaces or leave the Downtown area. There is an opportunity for a large scale office building in or close to Downtown (which could also bring more daytime traffic to support local businesses), however land and parking costs may create challenges to development feasibility.

Input to Recommendations

The feedback and input received from the outreach activities summarized in this section informed the strategies and recommendations presented in Section III. Through the survey, focus groups, interviews, and other engagement activities the need, concerns, and opportunities experienced by community members were communicated; these were then integrated into the strategies.

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SECTION III: STRATEGY AND ACTION PLAN

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A. Strategy and Action Plan

This section outlines specific strategies and actions the City of McKinney and partner organizations can take to address the needs outlined within this study. While no single action alone will address the neighborhood preservation needs in East McKinney, in combination these strategies can begin to address the most pressing and significant challenges facing East McKinney residents.

Key goals and outcomes of this strategy include:

- ▶ Improve resident financial stability, housing quality, affordability, and ability to remain in East McKinney
- ▶ Consider programs and tools that can be focused in East McKinney, but also have the potential to be utilized citywide
- ▶ Emphasize strategies that utilize existing City resources
- ▶ Focus on measurable outcomes so that progress can be tracked over time

Five strategies are detailed in this section, along with related recommendations. The recommendations were developed based on community input, City Council direction, and best practices from peer communities, and include both broad and targeted strategies to benefit both renters and homeowners. Strategies include:

- 1. Community Land Trust**
- 2. Rental Inspection and Rehab Program**
- 3. Support for Accessory Dwelling Units**
- 4. Education & Outreach for Existing Programs**
- 5. TIRZ Affordable Housing Strategies**

Within these strategies, there are roles for the City as well as other organizations. These include City Component Units (MCDC, MHFC), nonprofit groups (such as Habitat for Humanity), as well as other organizations, like MHA and community groups with strong relationships in the East McKinney communities, that can assist with implementation.

The strategies detailed below build on existing successful city, regional, and state efforts, including the homeowner rehabilitation program, the HNIZ property tax relief program, general residential homestead exemption, age 65 or older or disabled persons homestead exemption, and disabled veterans and surviving spouses of disabled persons homestead exemption.

The strategies outlined are primarily intended to be implemented within the next two years, recognizing that there are immediate needs in the community that require timely actions. In addition to immediate and short-term actions, this chapter outlines potential long-term considerations – additional steps or strategies that the City can take in the future to build on and enhance these recommendations.

1. Community Land Trust (in process)

Description: A Community Land Trust (CLT) is typically a private, nonprofit organization that owns land in a shared equity structure, keeping land (and thus housing) affordable. A CLT will acquire land (or existing housing) and own the land in perpetuity while residents can purchase and own homes with low-cost long-term ground leases. Note that staff will be working with Grounded Solutions to further the structure of the CLT program for the City.

Purpose: A CLT can work to mitigate escalating housing costs by providing affordable homeownership options for residents. It can also manage the impacts of speculative buyers by building relationships with existing residents and becoming a preferred alternative when considering a sale.

How it works: A CLT purchases land for affordable housing development, holding like a land bank, until an appropriate time to construct a development. It may also purchase existing homes and hold a dispersed inventory. The CLT holds ownership of the land while homeowners own the improvements (the home itself), ensuring affordability in perpetuity. In addition to holding ownership of the land, the CLT may also establish deed restrictions or resale requirements (for example, an asset or appreciation cap).

Funding & resource needs: Resource needs will depend on how the CLT is scoped and managed. The City will likely fund certain portions of the organization, such as administrative costs, and may want to fund the acquisition of land and/or homes.

Recommendation & possible future considerations: The City has allocated seed money to support Community Land Trust efforts in McKinney. Work will continue in the next year to define the best utilization of that funding.

COMMUNITY LAND TRUST

Community members served:

- Homeowners (current, income-eligible, who own their homes outright and are interested in selling into the CLT)
- Renters (current, income-eligible, looking to purchase)

Primary entity:

- City of McKinney
- CLT organization and board (once established)

Timing:

- Begin administrative work to structure/ set up land trust immediately

How to measure success:

- Number of properties acquired
- Number of homes built
- Number of homes sold to income-eligible buyers

2. Rental Inspection and Rehab Program

[Note: this is a two-step strategy, with an initial implementation of a rental inspection program, and a rehabilitation funding program as a future step if/when desired.]

Description: A rental inspection program, combined with funding for property rehabilitation, can work to improve the quality of rental housing without increasing rent to the residents. An inspection program, where units are regularly inspected and required to remediate issues, creates an incentive for landlords to utilize rehab funding. As a condition of receiving rehab funding, affordability requirements can be placed on the property (these can be scaled to the level of funding received). It is anticipated that the rental inspection program will be implemented first, and a rehab funding program can be added in future years if the City desires.

Purpose: A rental inspection program will address the needs of renters in existing housing units and help to improve the quality of rental properties in East McKinney by ensuring that base level property standards are being met. If a rehab program is included, it can work to counteract the current trend of landlords disinvesting in properties (given strong rental rates irrespective of property conditions). As a condition of receiving funding, property owners would be required to keep rents affordable for a period of time.

How it works: To implement an inspection program, the City would determine the key criteria for inspections as well as the frequency of inspections. If deficiencies are found, property owners would have a specified period of time to remedy them. When coupled with effective enforcement, this program can provide a disincentive for landlords to allow properties to deteriorate while waiting for redevelopment opportunities. This would apply to both multi-unit and single-unit rental properties.

RENTAL INSPECTION AND REHAB

Community members served:

- Renters (current)

Primary Entity:

- City of McKinney

Timing:

- Begin administrative work to structure/set up inspection program immediately
- Rehab program can be phased in within 1-2 years, if/when desired

How to measure success:

- Units inspected
- Number of deficiencies documented
- Number of deficiencies corrected
- Number of properties utilizing rehab funding (if/when implemented)
- Rent levels of properties before/after inspections and/or participation in rehab program

The program can be implemented citywide, with prioritized areas (for example, the first properties to be inspected) based on age of housing, known condition of housing, or other factors – including displacement risk.

As a second step, if and when desired the City can implement a rehab funding program for single-unit rental properties as well (multi-unit rehab funding is already available). When implemented in combination, the inspection and rehab funding programs can have a “carrot and stick” effect, with the inspection program creating an incentive to utilize the rehab funding, which comes with requirements to maintain affordability for existing residents. By receiving funding through the rental rehab program, the City can require property owners to maintain rents at affordable levels; absent this requirement, after making necessary improvements owners would be able to increase rents which may displace current renters.

Funding & resource needs: Funding and staffing would be required in the appropriate department(s) to run the inspection program. Funding and staffing needs will be dependent on how the program is structured (e.g., geographic focus, inspection recurrence). If and when a rehab program is implemented, funding can come from the City’s CDBG resources, with additional staff time required for administration and compliance monitoring.

Recommendation & possible future considerations: Design a rental inspection program, considering factors including program participation (mandatory, opt-in, by complaint), how often inspections will be done, which properties will be subject to inspection, and key inspection criteria.

In the future, as conditions allow and if/when the City desires, consider adding a rehab funding program to pair with the inspection program.



CASE STUDY

DALLAS, TEXAS

Multi-Tenant Inspection Program



OVERVIEW

The City of Dallas has a rental registration and multi-tenant inspection program to enforce tenant rights, quality of life, safety, minimum property standards, and code compliance. The program proactively inspects rental units with the goal of catching high level structural issues before they become critical problems.

PROGRAM DETAILS

The program includes both registration and property inspections.

- ✦ Within the code compliance department, rental properties have to register with the City and renew registrations annually. There are two registration programs – one for multifamily and one for single family rental. Registration rates are set for cost recovery, based on fee studies conducted by the City.
 - Registration allows the City to maintain updated contact information for ownership and management, and keep track of the rental inventory
- ✦ The program can respond to inspection requests from citizens/tenants, but the primary intent is to be proactive
- ✦ Properties are visited regularly and given grades based on property condition (both upkeep and safety). Inspection timelines were determined based on property inventory and staff capacity.
 - Multifamily properties are inspected at least every 3 years
 - Single family properties are inspected at least every 5 years (with a longer timeframe to account for more properties that require inspections)
- ✦ While the multifamily program runs relatively smoothly (corporations that tend to own these properties have funds to make repairs and are compliant with registration), single family units have been a challenge. Compliance is difficult with these properties, as rental status is hard to discern. The City worked to put together a list of operating properties, but full compliance is an ongoing challenge.

FUNDING

City charges registration fees, fees for initial inspections, and additional fees if there is a need to reinspect. The program is designed for cost recovery (to account for regulation and enforcement). If a property is substandard or does not meet criteria to be safe and livable and the owner is not able to bring the property into compliance, staff will refer the owner to Dallas Tomorrow, a fund that can provide money for rehabilitation (separate from the inspection program).



CASE STUDY

PLANO, TEXAS

Limited Repair Assistance for Investor-Owned Properties



OVERVIEW

The City of Plano's repair and reconstruction assistance program is available to qualified investors owning and managing 1-4 unit rental housing. The housing must have building code deficiencies that make the dwelling unsafe or unsanitary, or show that the rehabilitation will improve energy efficiency.

PROGRAM DETAILS

The terms and conditions of the program that an owner must consent to include:

- ✦ Agreeing that current occupants will not be displaced, nor their rent increased, as a result of improvements made through this assistance
- ✦ Maximum rents allowed are per the Loan Underwriting and Approval Policy (not to exceed HUD's published Small Area Fair Market Rents – annual adjustments are subject to HUD's annual adjustment factor and City approval)
- ✦ Ensuring tenants meet income eligibility (annual income certification)

Owners are subject to a limit of one Limited Repair or Reconstruction assistance per property.

FUNDING

The program is funded with the City's Community Development Block Grant (CDBG) funding. The assistance limit is \$45,000 per unit and no more than \$75,000 per project.

ADDITIONAL INFORMATION

Research into other examples nationally found that rehab and inspection programs are almost always linked, and paired with affordability requirements in exchange for rehab funding.

Photo credit: Eric Fredericks (https://commons.wikimedia.org/wiki/File:Legacy_town_center_plano.jpg), "Legacy town center plano", <https://creativecommons.org/licenses/by-sa/2.0/legalcode>

3. Accessory Dwelling Unit (ADU) Support

Description: McKinney Zoning Code currently permits ADUs in most residential districts, subject to certain provisions. There are many benefits to expanding the ADU inventory, both to residents and to homeowners; however, the units are expensive to construct and through a low/no interest loan program, the City can help income-qualified homeowners defray the costs of construction. This is a targeted strategy to help existing homeowners, as well as provide housing opportunities for future renters.

Purpose: Constructing ADUs can add new affordable housing to East McKinney (through income restrictions on tenants of units), provide additional income to existing homeowners to improve financial stability (through rental income), and also provide multigenerational living opportunities for residents. A program providing support for residents to construct ADUs can enable these residents to utilize this tool that would otherwise not be available to them due to financial barriers.

How it works: Low/no interest loans would be provided to income-qualified homeowners to assist with ADU construction. Affordability requirements can be included as well and could be applied to the existing residence or the new rental unit (depending on which unit the current homeowner lives in). By providing options and requiring only one unit to be income qualified, the City can help address the dual goals of increasing the supply of affordable housing and at the same time, building wealth for current owners through real estate revenues. For example, in some communities income-qualified homeowners may rent the ADU at market rate, while non-income qualified homeowners would have an affordability requirement on their rental unit. Assistance may also be provided in the form of fee waivers, funds to assist with upfront costs, or other needed resources.

The program could utilize similar terms and structure

ACCESSORY DWELLING UNITS

Community members served:

- Homeowners (current)
- Renters (future)

Primary Entity:

- City of McKinney

Timing:

- Begin administrative work to structure/ set up loan program immediately
- Start receiving applications/ providing loans within 1-2 years

How to measure success:

- Number of loans provided/units constructed
- Affordable units constructed and/or AMI levels of residents helped

to the existing single family rehab program (including prequalified contractors), and would only apply to areas that allow ADUs based on the City's existing code (for example, many HOAs do not allow this use).

Funding & resource needs: An ADU assistance program can be administered through a revolving loan fund or a low-interest loan fund, CDBG, MHFC, MCDC, or other qualified sources. The program can be structured and run through the City similar to the existing single family rehab program, and would likely require a similar level of staff resources.

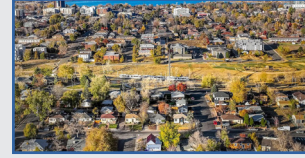
Recommendation & possible future considerations: Develop a loan (and/or other assistance) program for East McKinney residents to build ADUs. Determine whether income qualification is desired for the recipient and/or a tenant of the unit. As part of this program, ensure residents have access to information on existing ADU policy (to determine which properties are eligible to add an ADU), the loan/assistance program, and other resources for ADU development. In addition, the City should conduct a review of the current codes in order to gain a better understanding of where ADUs may be permitted in East McKinney.



**CASE
STUDY**

DENVER, COLORADO

West Denver Single Family Plus Program



OVERVIEW

The West Denver Single Family Plus program helps residents develop an ADU through design, entitlement, housing counseling, referral to financing, and construction services.

ELIGIBILITY

Homeowners that make over 80% AMI and want to rent the ADU must rent to someone earning 80% AMI or less to qualify. If the homeowner earns 80% AMI or less, the tenant isn't required to have a specific income.

FUNDING

The Denver City Council approved \$500,000 of city subsidies for the program. Additionally, the Safety, Housing, Education & Homelessness Committee approved a proposed amendment to a funding agreement between the City and the ADU program to provide an additional funding increase of \$630,000 and extend the funding term to December 2024. While an ADU can typically cost more than \$200,000 to build, this program lowers the cost to between \$100,000 and \$140,000. It relies on preapproved home designs and construction work from Habitat for Humanity.

Additionally, the City offers \$25,000 forgivable loans for lower-income homeowners to further reduce the mortgage and the monthly costs. The WDSF+ program also temporarily covers some upfront planning costs, such as soil testing, allowing homeowners to roll those costs into the mortgage.

OUTCOMES

As of December 2022, 5 ADUs have been built through the program, 6 units are under construction, and 8 are in final design and permitting. Four to six participants are currently in the housing counseling phase.

Photo credit: Lakegeorgeimages (https://commons.wikimedia.org/wiki/File:Villa_Park_Overlooking_West_Colfax_and_Sloan_Lake.jpg), <https://creativecommons.org/licenses/by-sa/4.0/legalcode>

4. Education/Outreach for Existing Programs

Description: Many East McKinney residents are not aware of currently available support programs, or they are not currently eligible for these programs due to barriers that can be overcome (for example, clear title to their property).

Through targeted, intentional education and outreach the City can increase utilization of these existing programs and help current residents access resources. This includes the clear title program currently under development, the existing homeowner rehab program, as well as existing property tax abatement and other property assistance programs. If desired, this can also include new programs such as counseling on tenant rights, eviction prevention counseling, and financial counseling for homeowners on pros and cons of selling property.

Purpose: An outreach and education effort is a broad strategy that would connect residents with existing support programs, and help residents overcome barriers to program participation. Issues such as lack of clear title are critical challenges to residents accessing existing resources, as clear title is a prerequisite to most tax benefits and assistance programs. By gaining access to these programs residents will get assistance with many challenges, including property tax burden and property repair needs.

How it works: Partnerships with local organizations that have existing strong relationships with residents will be critical to the success of this effort. The City can create an outreach and education program (including informational material, assistance with application processes, access to resources, and other components). This will include connecting residents to the clear title program, as well as other programs (outlined on the next page). These programs apply citywide; however, the education and outreach can be targeted to specific areas of the city and/or phased in based on geography.

Funding & resource needs: Staff time will be needed to develop education and outreach programs, coordinate with community groups, and implement the programs that are developed.

EDUCATION AND OUTREACH

Community Members Served:

- Homeowners (current)
- Renters (current)

Primary Entity:

- City of McKinney
- Community organizations (partners)

Timing:

- Continue current work on clear title program
- Work to have coordinated outreach/education program set up within 1 year

How to measure success:

- Number of residents connected to programs
- Number of residents served by programs (e.g., got clear title on their property, successfully applied for property tax exemption, utilized home rehab funding, etc.)

Recommendation & possible future considerations: Continue to support development and implementation of the clear title program, and consider pursuing additional support programs such as counseling on tenant rights, eviction prevention counseling, and financial counseling for homeowners (including considerations in selling or retaining property).

To increase resident eligibility for and access to these programs, develop education and outreach efforts to help residents connect to and qualify for existing and new assistance programs. This will include working with community groups with established, trusted relationships to partner on outreach efforts.

Existing assistance programs include:

City of McKinney homeowner rehabilitation program

- ▶ Funds for emergency repair (under \$5,000), minor repair (up to \$15,000), full rehabilitation (\$15,001-\$40,000) and substantial rehabilitation/reconstruction (over \$40,001)

Habitat for Humanity homeowner rehabilitation program

- ▶ Funds for home preservation (exterior work, including painting, patching, minor repair, landscaping, replacing exterior building materials), weatherization (to improve energy efficiency and indoor air quality), and critical home repair (extensive interior or exterior work to address health and safety issues or code violations). Funds are provided as a loan and repaid at an affordable loan rate based on income

HNIZ tax relief

- ▶ Property owners within the HNIZ boundary (which includes East McKinney) may receive ad valorem tax exemptions inclusive of land and building improvements based on verified investment meeting specified criteria

General residential homestead exemption

- ▶ \$40,000 residence homestead exemption from home's value for school taxes
- ▶ Any taxing unit may adopt a local option residence homestead exemption of up to 20% of a property's appraised value (cannot be less than \$5,000)

Age 65 or older or disabled persons tax freeze and homestead exemption

- ▶ Any resident age 65 or older can apply to freeze their property taxes at the time they turn 65
- ▶ School districts must provide an additional \$10,000 residence homestead exemption to residents who are disabled or 65 or older
- ▶ Any taxing unit may adopt a local option residence homestead exemption (cannot be less than \$3,000) for residents who are disabled or 65 or older

Disabled veterans and surviving spouses of disabled veterans

- ▶ Partial exemption for any property owned by a disabled veteran (exemption amount varies depending on the disabled veteran's disability rating)
- ▶ Additional exemptions for surviving spouses and disabled veterans with a rating of 100% disabled

5. TIRZ Affordable Housing Strategies

Description: A Tax Increment Reinvestment Zone (TIRZ) can be a powerful tool in advancing neighborhood preservation goals. Strategies within a TIRZ include ensuring that the TIRZ boundaries encompass an appropriate area to capture new development and provide opportunities to improve/add infrastructure where needed, as well as the potential to require affordable housing set-asides in new residential developments that are receiving TIRZ funding (either as a requirement or as a negotiated component of an incentives package). This works to increase the supply of affordable housing within the TIRZ boundaries, without concentrating affordable housing in any one area.

Purpose: Utilizing tools within the TIRZ can serve multiple purposes. If the TIRZ 1 boundary is expanded, infrastructure improvements can be made in more of East McKinney around new projects not currently within the boundary. This would enable East McKinney residents to benefit from new development in the area. There may also be opportunities to negotiate with these new developments, if they receive TIRZ funding, on affordable housing or other community benefits. Affordable housing is a goal of the current TIRZ 1, but is not required in new projects. Reevaluating how the TIRZ approaches affordable housing can align outcomes with stated goals.

If affordable housing is provided through new development (whether as a requirement or through negotiated incentives), it would serve to increase the supply of affordable housing in the area. This would help existing residents, those looking to move into or stay in the area (e.g., residents looking to downsize, those who grew up in East McKinney looking to move back), as well as provide affordable units to increase the availability of local employees for a range of nearby businesses.

TIRZ AFFORDABLE HOUSING

Community members served:

- Renters (future + current)
- All community members (for infrastructure improvements)

Primary Entity:

- TIRZ 1 board

Timing:

- Begin conversations around TIRZ boundary adjustment and/or plan amendment immediately
- If change is desired, should be done within 1 year (to be most effective, needs to be put in place before large developments are constructed)

How to measure success:

- Measures of success will depend on actions taken

How it works: Council can work with the TIRZ 1 Board to reevaluate the current boundaries of TIRZ 1 and amend the boundaries if desired. The TIRZ Board can also consider amending the TIRZ plan to require an affordable housing set-aside in new residential projects receiving TIRZ 1 funding, or consider incentives for projects receiving funding to voluntarily include affordable units.

Funding & resource needs: No direct funding is required; the strategies outlined in this section would not divert TIRZ 1 funds from other projects (including City Hall), unless the boundary is expanded, which would also expand the revenues available to the TIRZ. If affordable housing is included in new developments, either as a requirement or negotiated as part of an incentives package, staff resources would be required for monitoring of affordability, similar to other City programs.

Recommendation & possible future considerations: Council's current approach is to explore expanding the TIRZ 1 boundary, and consider ways to incentivize affordable housing in new developments on a case by case basis.



**CASE
STUDY**

DALLAS, TEXAS

TIRZ Affordable Housing Set-Aside



OVERVIEW

Residential developments in the city that receive TIRZ subsidies must set aside a certain percentage of units as affordable housing. This has been in the City's TIRZ policy since about 2008, and applies to any new project that involves direct participation of TIF.

PROGRAM DETAILS

In most areas of the city, the requirement is 20% of units at 80% AMI, with an affordability period of 15 years. In the downtown, where most projects are conversions to residential from other uses and are more expensive, the requirement is 10% of units at 80% AMI for 15 years.

OUTCOMES

Almost 30 properties throughout the city have or will have affordable units as a result of this program, with 25 constructed projects and 3 more approved within the past year (in final design or under construction).

ADDITIONAL INFORMATION

The program has been successful in adding affordable units to the City's inventory, and the City is now exploring strategies to mitigate displacement and affordability impacts on existing residents. There are 19 active TIF districts in Dallas, and 17 of those are adjacent to established residential neighborhoods. With the success of development and redevelopment within the TIF districts there can be impacts on residents in surrounding areas. Within state tax code there is the ability to spend TIF revenues outside of the district for purposes of affordable housing; the City is using that provision to transfer a portion of funds to the housing department to supplement existing programs (e.g., homebuyer assistance, homeowner repair) to help residents in residential areas impacted by development in TIF districts.