



CITYWIDE ECONOMIC DEVELOPMENT STRATEGY

90% DRAFT
(9 AUG 2018)

ECONOMIC DEVELOPMENT

INTENDED OUTCOMES

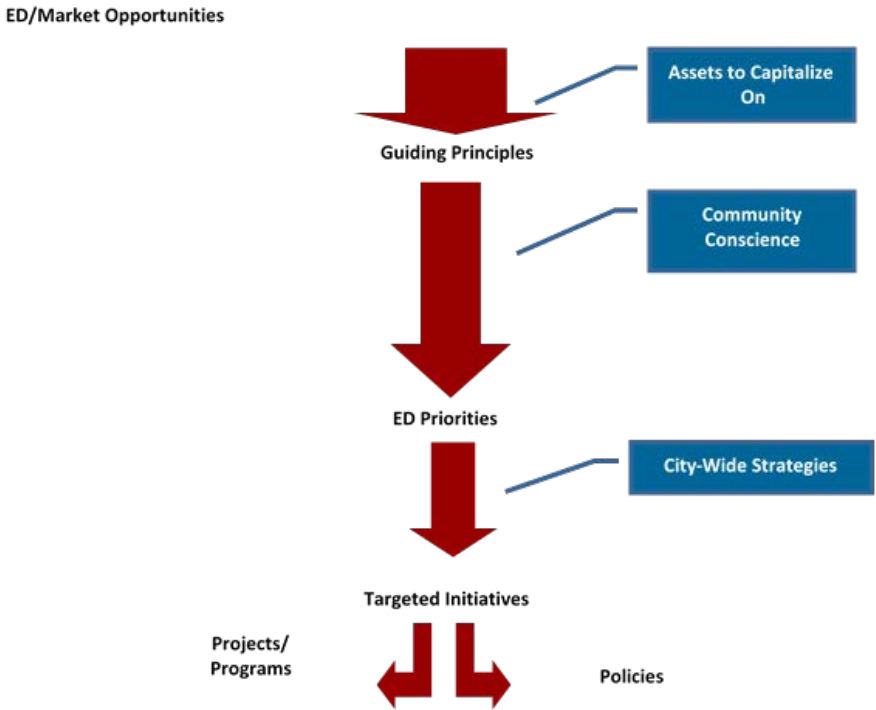
Promote and position McKinney for desired and quality investment through these actions:

- Evaluate and modify existing incentive offerings in order to ensure the judicious use of municipal resources;
- Establish proactive initiatives to better encourage property investment and reinvestment redevelopment, as well as business expansion and attraction.
- Leverage partnerships with organizations and institutions that support the vision expressed here.
- Protect and enhance those attributes of the community that are unique to McKinney and valued by existing and future populations.
- Coordinate and align efforts and messaging regarding McKinney’s Vision and Guiding Principles.
- Amend policy, regulating and strategic resources to ensure consistency.
- Balance flexibility and certainty when considering land use applications and product design.

OVERVIEW

The intent of this section is to provide the city with strategic initiatives in support of policies which will serve to guide growth and development over the near- and long-term. Generally, the recommendations which follow are intended to capitalize on opportunities and overcome obstacles, collectively in an effort to “ready the market for investment.” As shown in Figure 5.1 below, the overall framework for an effective approach to advancing economic development objectives relies on an understanding of market opportunities, adherence to a set of guiding principles, and ongoing community support.

Figure 5.1: Economic Development Framework



An economic development strategy is the logical first step in the development of an integrated approach which can succeed in attracting new investment and reinvestment. The ONE McKinney 2040 Comprehensive Plan establishes the policy framework to achieve sustained development and redevelopment over the next 20 plus years. It’s intend is to provide the “road map” for ensuring the city utilizes its land use resources to strengthen and propel McKinney’s economy over the near-, mid- and long-term.

CONNECTION TO THE PLAN

As explained in Section 3 of this plan, the strategic approach to land use planning and development described herein was designed to ensure fiscal stability and a high quality of life for McKinney residents. As such, it is intended to assist city leaders in making informed decisions regarding land use and development pattern in the community. With this understanding and guidance, staff will not only be able to anticipate how land use decisions will impact municipal services, but their efforts to enhance its economic resiliency.

The Preferred Scenario represented by combinations of land uses and development types, or placetypes, is intended to illustrate where and what type of investment will most effectively leverage its surrounding environment and complementary assets. Each one of the 16 placetypes (described in Chapter 3: Land Use and Development Strategy) is permitted in the city, and consistent with the overarching policies and land planning policies developed in support of the plan.

FISCAL STABILITY

Among the responses to a survey of institutional real estate investors conducted by the Urban Land Institute (ULI) and reported on in their Emerging Trends in Real Estate, 2018, regarding community-based issues that affect their investment returns, several cited “fiscal health.” They explained that policy decisions regarding growth and development largely stem from conditions affecting their fiscal resiliency, as well as their ability to participate in, and support, desired development. During the past three decades, municipalities throughout the United States have significantly increased their efforts to foster and inform real estate development, rather than take a wait and see approach. Among those that succeeded, most did so because they understood that, “Private investment follows public commitment.” To that end, they sought to understand how they could most effectively leverage their resources to attract new investment, encourage reinvestment, and be a productive partner to the private sector.

Another effort by communities to foster positive partnerships with an eye towards fiscal sustainability, is hiring a resiliency officer tasked with establishing systems that ensure its resiliency in the wake of environmental forces, equity gaps in schools, transportation system deficiencies, and economic cycles.

A cities resiliency rating is predicated on multiple factors, some which municipalities can control, and others which they have less influence over. Among those they can more directly impact is their approach to allocating and assigning land uses, and their response to zoning requests. The connection between a community’s land use mix, product inventories, and municipal budget is often overlooked, but must be understood in order to ensure informed decision-making by its leaders. This is particularly true for communities that are near or at buildout, but similarly important for communities planning for long-term growth and impacts resulting from their annexation policies and practices.

Just as different land uses translate into both revenues and expenses for government entities, so too do the various product types among land uses. For example, multi-family rental properties, if for no other reason than the average density of this product type versus either a single family detached or attached unit, will impact revenues and expenses differently. Similarly, the manner in which different uses are organized, combined, or clustered will also impact revenues and expenses. Therefore, as important as local preferences are in terms of land use and product offerings, so too are the impacts these preferences have on community resources, their ability to maintain service levels, and provide public amenities. Land use decisions should, if possible, be made from a comprehensive understanding of their implications, including from a fiscal impact perspective.

PARTNERSHIPS

Economic development initiatives in the city are led by the McKinney Economic Development Corporation (MEDC). Created in 1993, MEDC supports the development, expansion and relocation of new and existing companies. It is an organization that partners with the City to create an environment in which community-oriented businesses can thrive.

In May of 2017, MEDC commissioned assistance with preparing the McKinney – Advancing Our Vision 2022, Five-Year Strategic Plan (referred to as the “Strategic Plan”). That document defines their direction and priority work through 2022 in the following four fundamental areas – business retention and expansion, business attraction, entrepreneurship, and competitiveness. Clear tactics populate an action plan for each strategic initiative, along with key performance indicators.

Competitiveness
By 2022, the 5-year outcome of MEDC’s work in Competitiveness will yield:

- 1m SF Class A office space built
- 400,000 SF light industrial/flex building space built

With an understanding of McKinney’s preferred pattern of development, and appropriateness of certain uses and products by geography, MEDC in partnership with the City, will be better able to identify parcels for strategic acquisition and development, and proactively plan for supporting infrastructure and other capital improvements.

ECONOMIC DEVELOPMENT INFRASTRUCTURE

Successful economic development programs communicate a holistic view of their investment climate. To this end, their efforts to foster a favorable environment for businesses consider not only the needs of the corporation, but those of the employees, as well. While business siting decisions tend to place the greatest emphasis on conditions associated with supply, operational costs, and personnel linkages; similar consideration is given to the availability of a diverse mix of housing product types, opportunities for entertainment and physical activity, and access to cultural resources. As revealed in the list below, a community’s “economic development infrastructure” is comprised of its people, places, and policies, not just its sites and service levels.

MEDC Vision
To make McKinney the most desirable location in North Texas for business by attracting and retaining companies committed to growing and investing in McKinney.

MEDC Mission
The MEDC will work to create an environment in which community-oriented businesses can thrive. We will do this by identifying, coordinating and realizing high-impact opportunities that promote job and wage growth as well as a diversified and expanding tax base.

Business Retention and Expansion Performance Indictors
By 2022, the 5-year outcome of MEDC’s work in Business Retention and Expansion will yield:

- 25 businesses expanded
- 1,000 jobs created
- \$100m capital investment

Business Attraction
By 2022, the 5-year outcome of MEDC’s work in Business Attraction will yield:

- 70 business locations
- 5,000 jobs created
- \$300m capital investment

Particularly relevant, as it relates to the Vision and Guiding Principles of this ONE McKinney 2040 Plan, are efforts associated with leveraging the community’s competitive assets. Within the Strategic Plan, objectives related to “competitiveness” are described as follows:

“Enhance McKinney’s assets in a manner that ensures business attraction and expansion wins, let alone retain existing employers. In particular, the Competitiveness Initiative focuses on innovative incentive offerings and readiness of available real estate – sites and buildings.”

Among several tactics identified to advance this initiative are:

- 1. Speculative building development
- 2. Strategic site acquisition
- 3. Infrastructure construction
- 4. Comprehensive package of incentives
- 5. Cultural readiness and professionalism
- 6. Airport expansion

- People** – a community’s resident and non-resident employees, its labor force, and its employers
- Sites and Buildings** - opportunity sites and buildings which can effectively leverage public incentives for development and redevelopment
- Housing Choices** – housing products that serve a wide range of age, income and lifestyle stages
- Incentives and Business Support** - public programs, projects, and policies which overcome limited resources and facilitate private investment
- Infrastructure** - physical networks such as transportation (roadways, mobility, service, coordination, connections, etc.) and utility systems (power, water, sewer, cable, etc.) which support private investment
- Quality of Life** - recreation amenities, social services, public facilities, etc., which both visitors and residents can access
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COMPETITIVE POSITION

Attributes of the McKinney market that offer a competitive advantage over other North Texas communities for business development and private sector investment include those listed here.

- Strong educational programming from institutions including MISD, Collin College, UT Dallas and others
- Strategic location in North Texas and access to the SH 121, US 75, and US 380 transportation corridors
- Quality of life desired by highly educated and technically skilled workers seeking a live/work balance
- Expanding and diverse population with significant levels of disposable income
- Presence of McKinney National Airport and proximity to DFW and Love Field
- Unique downtown that positively contributes to the ability to attract talent
- Vacant land with visibility from and access to region-serving infrastructure
- Sizable assemblages able to accommodate master planned development
- Regional and interstate access via multiple modes of transportation
- “Unique by Nature” brand that promotes healthy, active lifestyles
- Central location and connectivity to other parts of the county
- Location within a nationally-recognized high growth market
- “Front door” to the Metroplex from points north and east
- Advantageous tax structure for business and employees
- Ample and redundant power necessary for data centers
- Favorable school ratings across multiple grade levels
- Attractive physical setting and natural amenities
- Access to area training and educational facilities
- Comparatively modest land and operating costs
- Proximity to the DFW Metroplex labor pool

INVESTMENT TARGETS

In addition to preparing the Five-Year Strategic Plan, MEDC also investigated the city’s potential to attract and grow certain industry groups. The findings of this work are documented in the McKinney Target Industries Report, dated March 17, 2017. Research and analyses employed to for determine McKinney’s most viable prospects for investment were almost entirely business within basic industry groups, In other words, industries that bring new wealth to the local economy in the form of property investment, job creation, payroll income and enhanced purchasing power. Since basic industries have the greatest economic impact on a local economy, they are often the priority targets of economic development organizations.

The process used to identify McKinney’s industry targets involved two principle steps – industry trends research, and market capacity analyses. The first looked at those groups that exhibited a presence and potential for growth in Collin County, the Dallas-Fort Worth metropolitan area, state of Texas, and nation. The second investigated McKinney’s assets (or attributes) in terms of their ability to accommodate individual businesses and clusters¹ of businesses associated with these growing groups. Finalist industries are presented below by NAICS² code.

Computer Technology and Services

- NAICS Code 334111 Electronic Computer Manufacturing
- NAICS Code 334511 Search and Detection Systems and Instrument Manufacturing
- NAICS Code 518210 Data Processing, Hosting and Related Services
- NAICS Code 541511 Custom Computer Programming Services
- NAICS Code 541512 Computer Systems Design Services

Wholesale Trade

- NAICS Code 424210 Drugs and Druggists’ Sundries Merchant Wholesalers
- NAICS Code 425120 Wholesale Trade Agents and Brokers

Vehicle Manufacturing / Transportation

- NAICS Code 336320 Motor Vehicle Electrical and Electronic Equipment Manufacturing
- NAICS Code 488190 Other Support Activities for Air Transportation

Finance and Insurance

- NAICS Code 524114 Direct Health and Medical Insurance Carriers
- NAICS Code 551112 Offices of Other Holding Companies

Professional Services

- NAICS Code 541611 Administrative and General Management Consulting Services
- NAICS Code 541614 Process, Physical Distribution and Logistics Consulting Services

¹Across Texas, specific regions host a unique array of advanced industries where supportive infrastructure and knowledge has developed. Within these workforce development regions, industries are highly concentrated, resulting in clusters of firms that lead to the creation and maintenance of a trained labor force from which related businesses can draw.

² NAICS stands for North American Industry Classification System and is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing and publishing statistical data related to the U.S. business economy. NAICS replaced the Standard Industry Classification (SIC) system in 1997.

MARKET DEMAND FORECAST

The figures presented in Table 5.1 below, represent potential demand for certain land uses within the larger McKinney market (trade area) over the next 20 years, along with an attainable share (or capture rate) for the city or each land use / product type. While actual development totals will be influenced by numerous factors including – local policies and regulations, location and capacity of available sites, and the city’s approach to economic development (proactive vs. reactive); these are intended to provide an understanding of scale or order of magnitude.

Table 5.1. McKinney Trade Area Demand by Land Use and Market Share

Land Use Type	Trade Area Demand (2018 to 2040)	City of McKinney			
		Market Share		Absorption (Units/Sq Ft)	
		Low	High	Low	High
Residential (Units):					
Low-Density	116,100	20%	25%	23,220	29,025
Medium-Density	38,700	20%	25%	7,740	9,675
High-Density	48,500	20%	25%	9,700	12,125
Residential Subtotal	203,300			40,660	50,825
Non-Residential (Sq Ft):					
Retail/Service/Restaurant	13,300,000	40%	50%	5,320,000	6,650,000
Office	21,800,000	40%	50%	8,720,000	10,900,000
Industrial	35,200,000	15%	25%	5,280,000	8,800,000
Non-Residential Subtotal	70,300,000			19,320,000	26,350,000

Source: Ricker|Cunningham.

Additional conditions which could increase these estimates include the city’s openness to consider product types that do not currently exist in the market, commitment by the city’s leaders to maintain a consistent commitment to the preferred development concept described here, and their ability to successfully position the community as a high-quality environment for sustainable investment.

Industry Product Types

Business and industry targets described in the previous discussion will require a range of product types, given the diversity of products they produce and services they provide. One of the most significant changes realized in the real estate industry following the Great Recession (the period of time following the failure of multiple financial institutions during the latter part of the last decade) was a blurring of lines between previously autonomous product types. Among the most pronounced is the evolving employment space. While the extremes in this category remain relatively intact -- Class A Office buildings and raw material Manufacturing facilities – just about everything in between could be housed within a range of product types. What seems to be an essential strategy for communities, is one of flexibility. Cities with development and building codes that de-emphasize specific use categories, and instead focus on limiting adverse impacts from the occupant’s operations, will realize greater success and attract better business partners.

Product (or facility) types that will support McKinney’s industry targets include:

- Value-Added Assembly and Manufacturing
- Data Center (Warehouse)
- Sales and Distribution
- Research and Development
- Office
- North American and Regional Headquarters

Table 5.2 here reflects the relative weight assigned to various site criteria by relocating businesses operating within different facility types. McKinney’s understanding of its attributes and challenges within these criteria categories will inform their ability to attract investment desiring these products formats.

Table 5.2. Facility Citing Factors

Criteria	Research & Development	High Technology	Light Industrial	Administrative Office	Corporate Headquarters
Labor Market	18%	14%	23%	18%	12%
Access to Markets	5%	5%	10%	6%	8%
Transportation	7%	6%	9%	6%	6%
Telecommunication	9%	9%	4%	11%	11%
Education	13%	13%	8%	8%	10%
Utilities	6%	7%	8%	4%	3%
Sites / Buildings	8%	6%	10%	12%	10%
Financial / Capital Resources	3%	3%	3%	3%	5%
Business Incentives	n.a.	n.a.	n.a.	n.a.	n.a.
Business Climate	12%	19%	17%	16%	14%
Quality-of-Life	19%	19%	8%	16%	21%

n.a. = not available since negotiated on a case-by-case basis.

Source: Ricker|Cunningham.

PRIORITY INITIATIVES

1. Design and development standards which emphasize quality over use or product type
2. Protect the vision through policies and codes
3. Allow for flexibility in use designations – particularly among office and industrial uses
4. Assist with infrastructure cost financing
5. Develop consistent messaging and collateral materials that communicate vision
6. Prepare a program to encourage a greater delivery of housing product types
7. Establish incentive protocols in advance of imminent investment
8. Annually recommitment to long-term vision for strategic investment areas within community
9. Partner with local, regional and state entities governmental, institutional, and private entities
10. Master plan public improvements, infrastructure, streets, etc.
11. Continually monitor product and use mix to ensure consistency with intended development patterns
12. Elevate role of fiscal analyses in land of use requests
13. Regularly evaluate meaning of sustainability in the context of ongoing planning and development in the city and related impacts