

DEVELOPING THE ONE MCKINNEY

PLAN

90% draft
(9 aug 2018)

STATE OF THE CITY

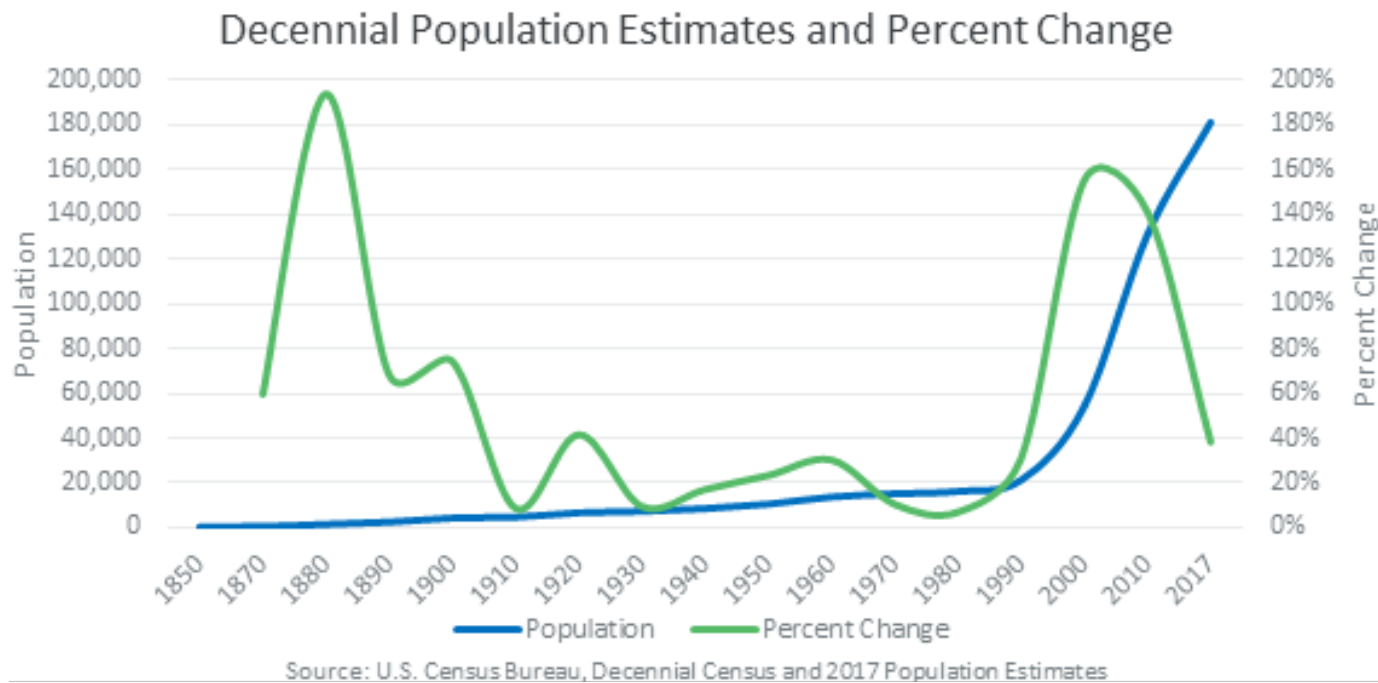
INTRODUCTION

The City of McKinney is a unique place with a booming economy and a burgeoning residential population. An understanding of its socioeconomic characteristics helps frame the comprehensive planning effort in terms of the community it aims to serve. The following section details the state of the City in demographic terms, from its tremendous growth to the diversity of the many communities that comprise it.

POPULATION

McKinney's residential population has been growing since its inception as a predominantly agricultural community in the mid-19th century. Prior to the 1980s, however, growth was largely limited to a net gain of a couple hundred or thousand residents every decade. Between 1980 and 1990, however, McKinney posted a net gain of just over 5,000 people—an early sign of the unprecedented growth that the City would experience in the 1990s, 2000s, and 2010s. By 2010 McKinney had grown to become a community with a population over six times its size in 1990.

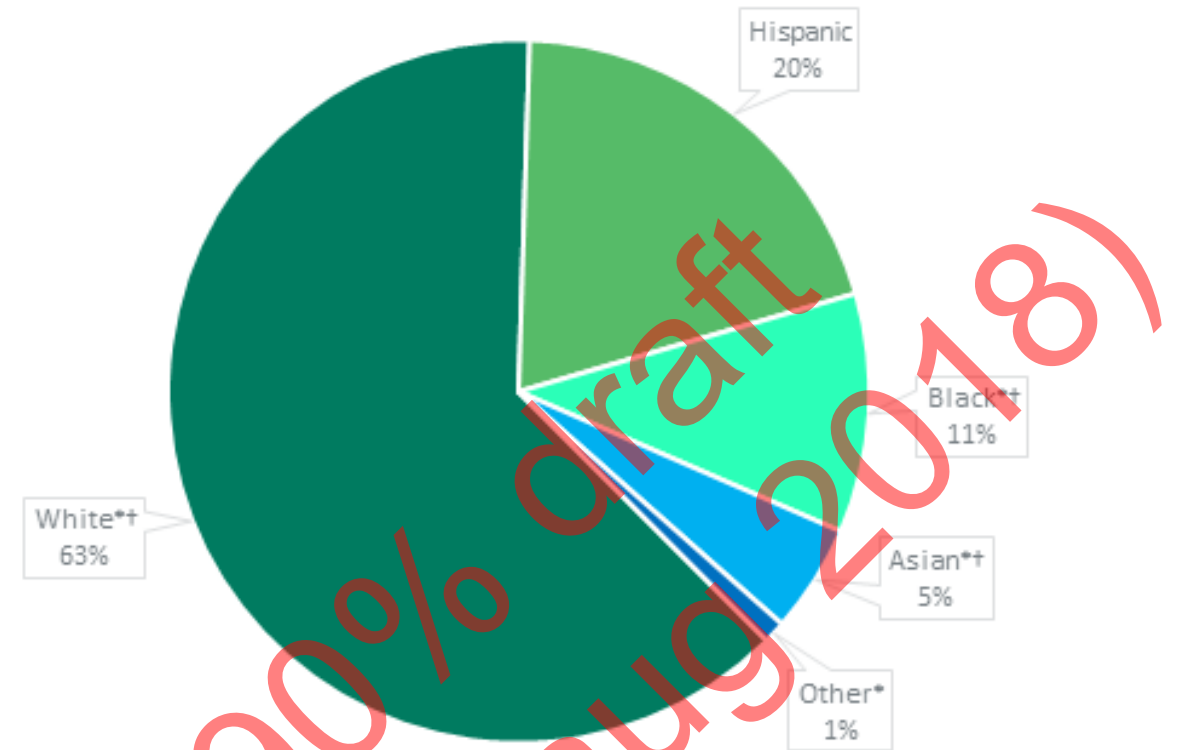
U.S. Census Bureau estimates pinned the population of McKinney at 181,220 for 2017—an increase of 38% or more than 50,000 people since 2010. While the rate of change has dropped significantly during the 2010s thus far, McKinney continues to post similar growth figures in absolute terms as it was at this point in the previous decade.



ETHNICITY

McKinney is a diverse place, a description that fits its unique ethnic landscape. Sixty-three percent of the City is single-race, non-Hispanic white. The largest ethnic minority are those of Hispanic or Latino descent, who account for roughly one-in-five McKinnians. Black or African American residents account for about 11% of the City while Asian Americans amount to 5% of the population. Other races or ethnicities or those of multiracial descent account for 1% of the City of McKinney.

Decennial Population Estimates and Percent Change



Source: American Community Survey, City of McKinney, and Ficker/Cunningham; Notes: *Single-race, **Non-Hispanic

HOUSEHOLDS AND TENURE

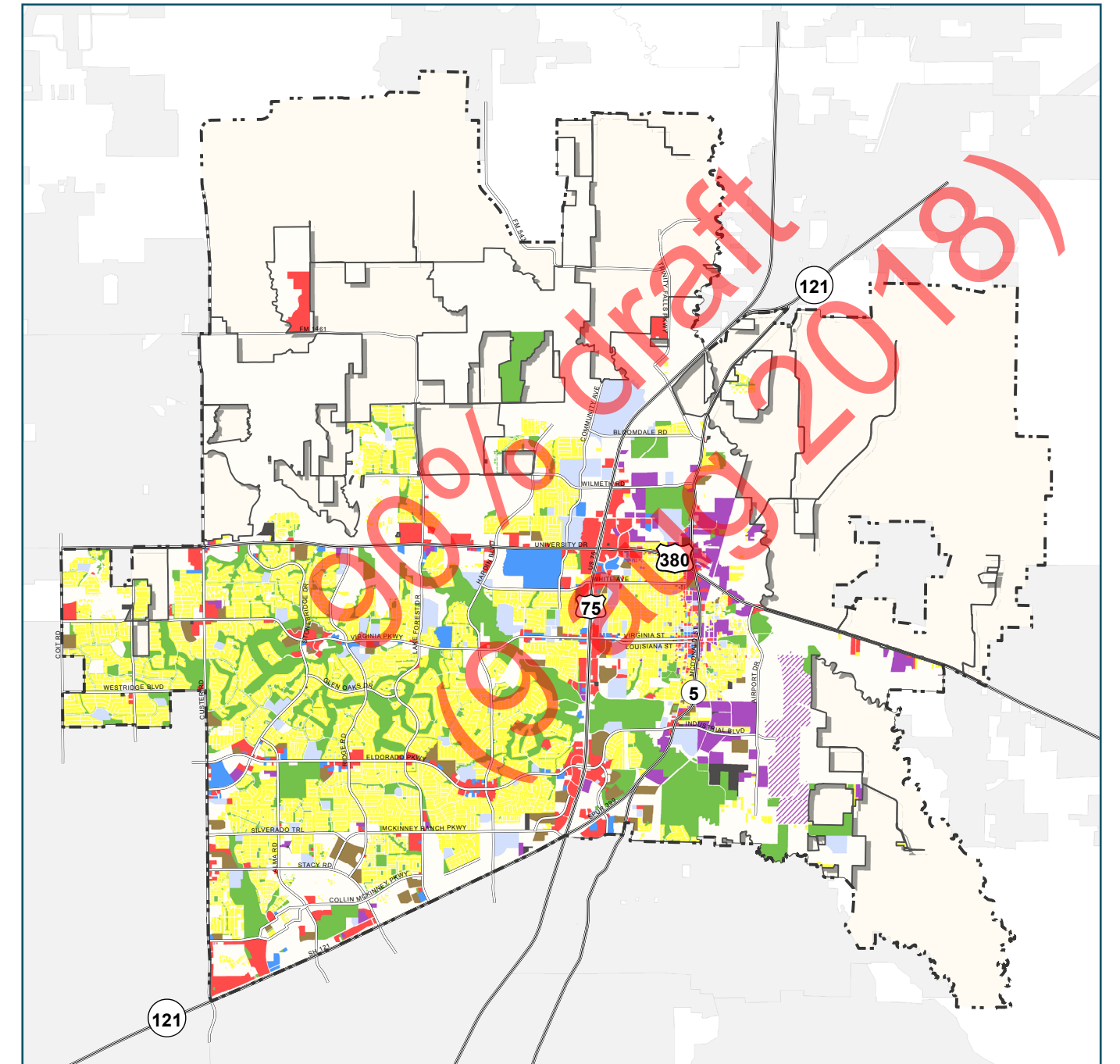
There were 52,700 households in the City of McKinney in 2015, up from 44,353 just five years prior. This corresponds to an average annual household growth rate of 3.5%—more than double the rate of DFW (1.6%). Most of these households own the home in which they live, as renters only account for an estimated 30% of all households in the City. In DFW, renting households are 41% of the metropolitan area's total households.

Household composition is also significantly different between the City of McKinney and the DFW area at large. The average household in McKinney has 2.99 persons, which is a little higher than the metropolitan area's figure of 2.80 persons per household. Twenty-one percent of McKinney households are non-family households, about ten percentage points lower than the DFW average. One- and two-person households are also much less prevalent in McKinney, accounting for 42% of the total. In the Metroplex, one- and two-person households make up 56% of all households in the area.

EXISTING CONDITIONS

EXISTING LAND USE

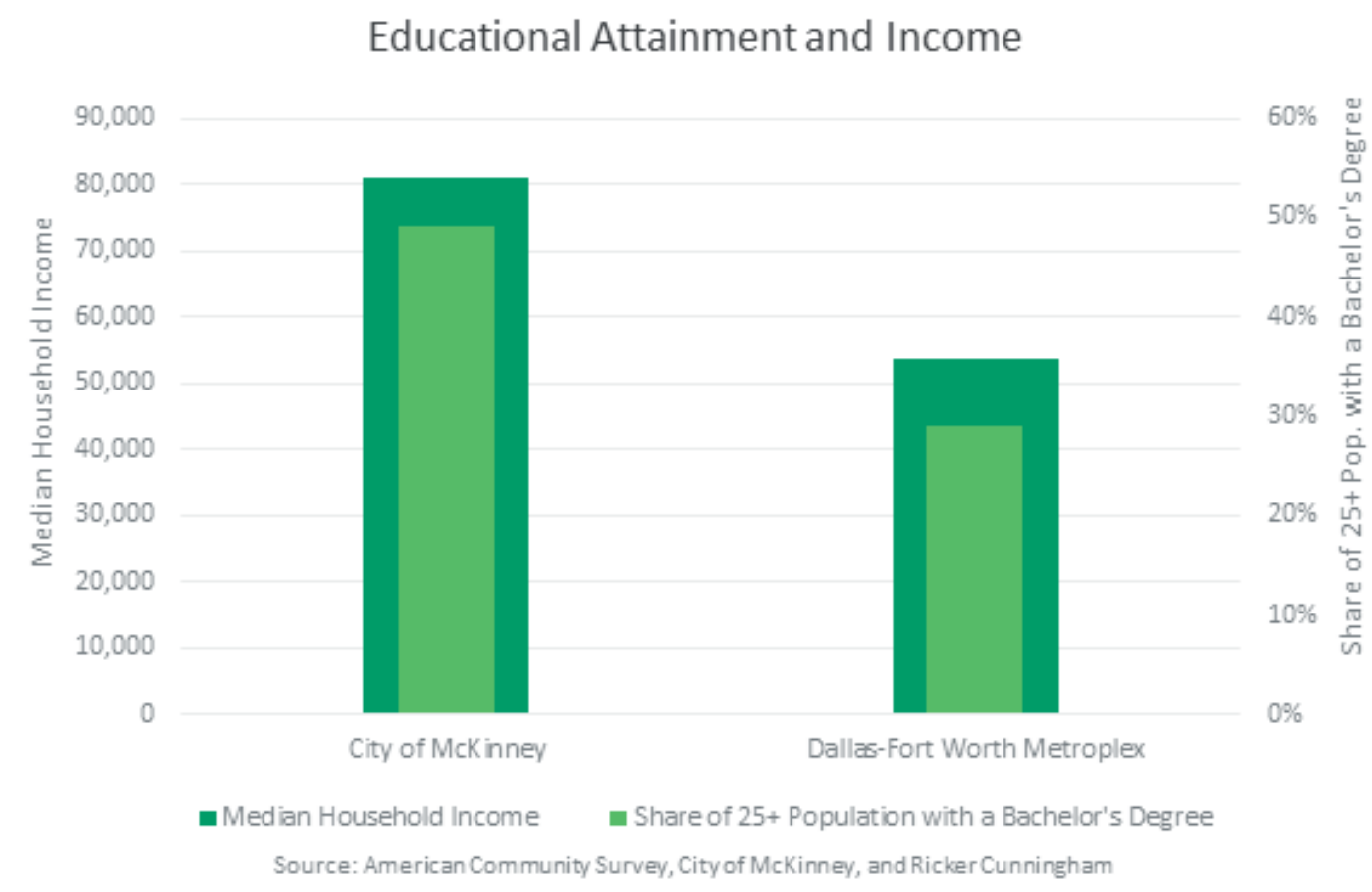
Most of the developed land in the plan area lies west of State Highway 5 and south of U.S. 380. Outside of that lies a lot of unincorporated territory that is largely undeveloped, agricultural, or otherwise reserved for rural space. The smallest parcels and, thus, some of the most intense uses of land in the City lie around Downtown McKinney in the central-southeastern corner of the study area. With the exception of notable, commercial development along major highways and arterials, the southwestern quadrant of the plan area is predominantly residential with larger lot sizes than the more urbanized blocks around the downtown area.



EDUCATION AND INCOME

Incomes are generally higher in the City of McKinney than the Dallas-Fort Worth Metroplex as a whole. The median household income in McKinney is an estimated \$81,118 compared to the DFW-wide figure of \$53,600. Only 9% of McKinney households earn less than \$25,000 while 46% have incomes exceeding \$100,000; the estimates for DFW are 21% and 23%, respectively.

Education largely parallels incomes, and McKinney’s educational attainment rates tend to be higher than those for the entire metropolitan area. An estimated 49% of McKinnians over the age of 24 have attained a bachelor’s degree or more; in the Dallas-Fort Worth Metroplex, that figure is 29% of the 25-and-older resident population.

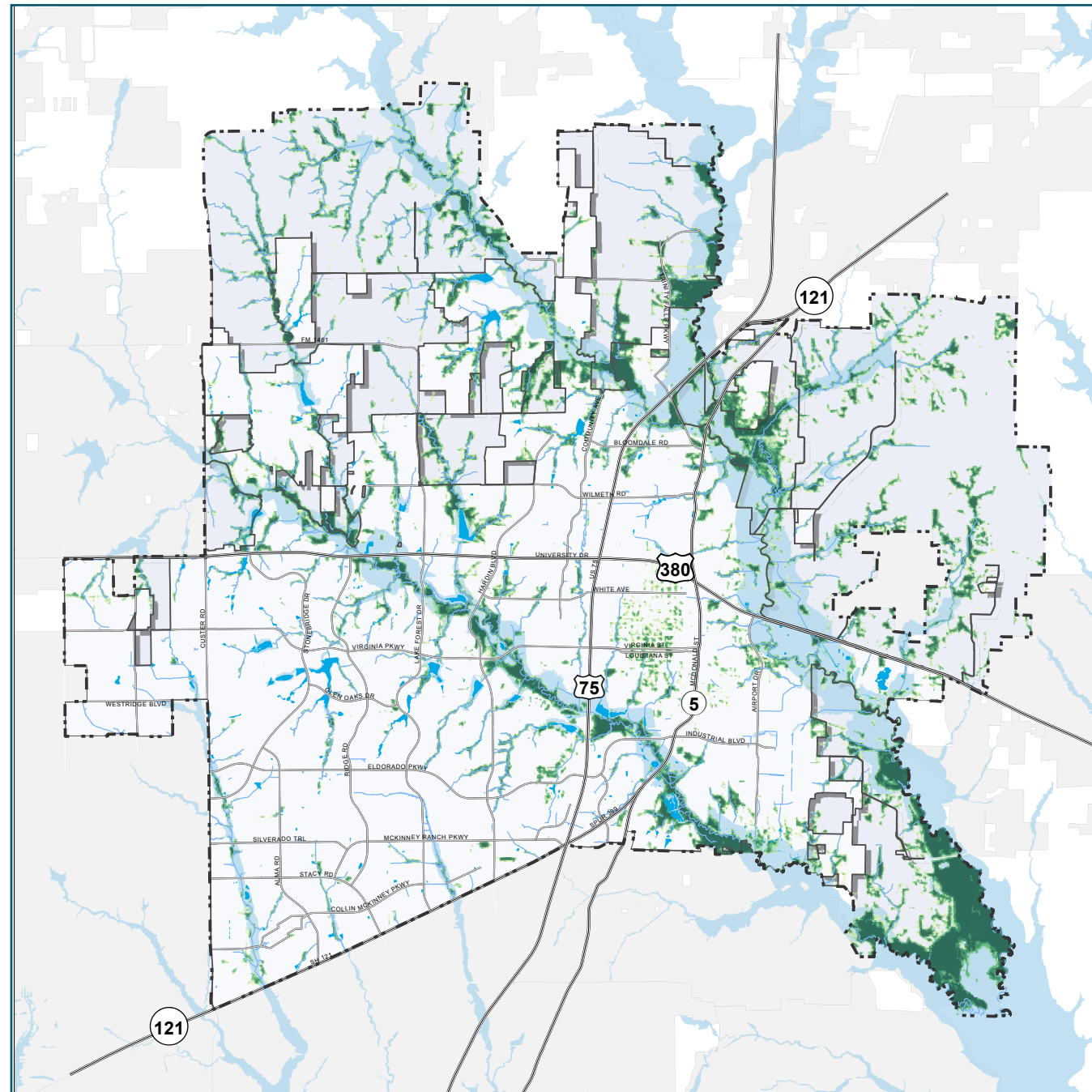


AGE

The average McKinnian is slightly younger than the average resident in the Dallas-Fort Worth Metroplex. The median age in the City of McKinney is an estimated 33.0 years, compared to a slightly higher figure of 33.8 years for the larger metropolitan area. Thirty-two percent of the City is under the age of 18, which is a little larger than that cohort’s proportion of the DFW area as a whole—30%. Residents 65-and-older account for 7% of the City of McKinney’s population, which falls below the DFW average of 9%.

EXISTING NATURAL FEATURES/TOPOGRAPHY

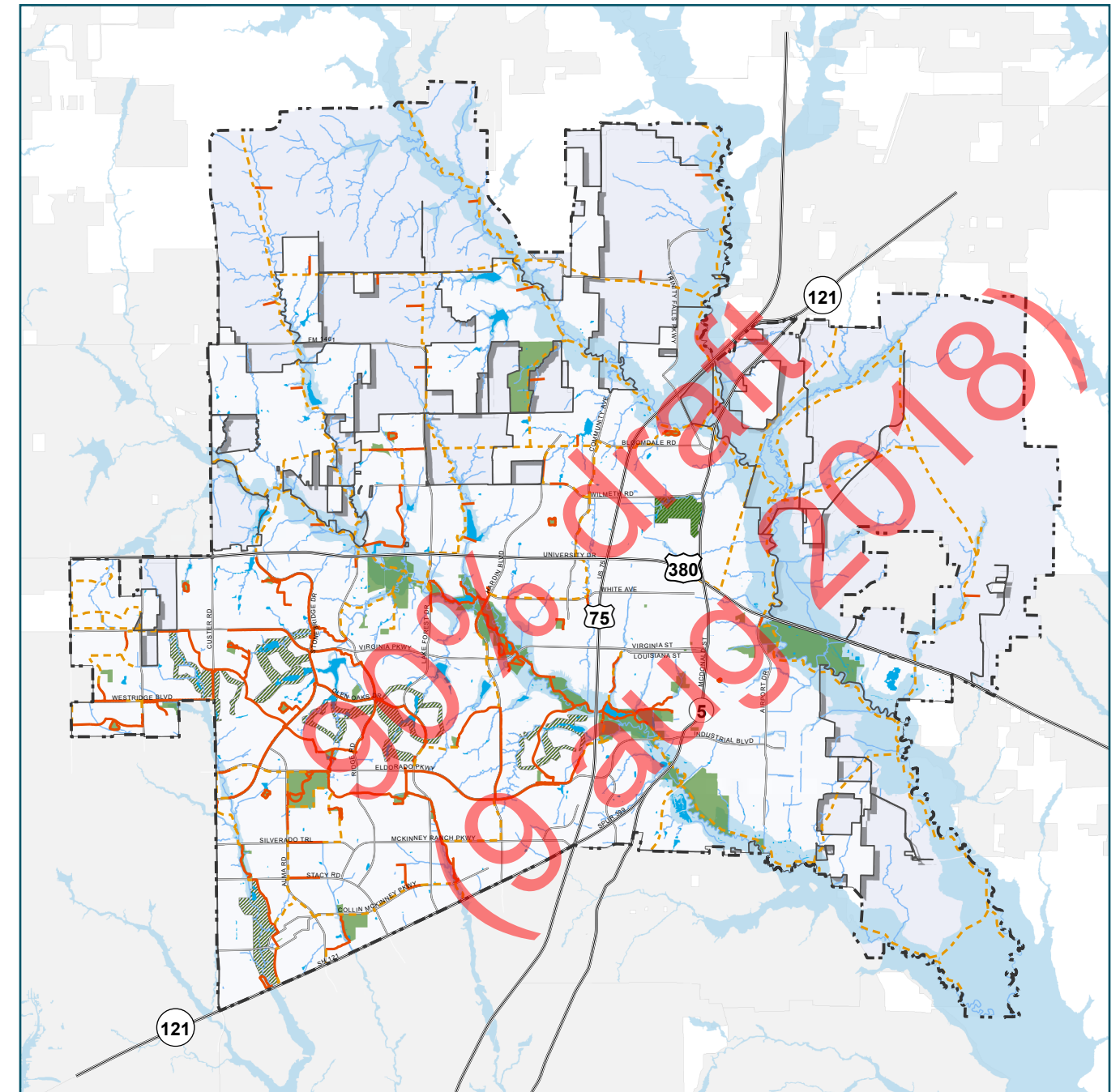
McKinney, like much of the Dallas-Fort Worth Metroplex, is largely flat, with some gently rolling hills dispersed among the area. Wilson Creek and the East Fork of the Trinity River are the two major riparian corridors in the area, flowing from the southeast to the northwest. Tree canopy coverage and 100-year floodplains generally follow these rivers through the plan area in a diagonal direction. The downtown area south of U.S.380, north of El Dorado Parkway, west of State Highway 5, and east of the Central Expressway also contains a significant amount of urban, tree canopy coverage. Generally speaking, rural areas in the ETJ have more undeveloped natural assets.



Tree Canopy
 Water Bodies
 Flood Plain

PARKS AND OPEN SPACE

The McKinney parks and recreation system encompasses 36 community parks, nine athletics facilities or fields, two disc golf courses, one dog park, one community center, and one complex of stand-alone trails. A series of proposed hike and bike trails would generally follow the East Fork of the Trinity River and Wilson Creek through the City, connecting with the street grid west of the Central Expressway to facilitate a multi-modal recreation and transportation system in McKinney. All of the golf courses in the City exist to the west of State Highway 5, particularly around the large-lot planned communities south of U.S. 380. Many residential developments have incorporated parks and open spaces as a component of their projects.



Parks
 Existing Bike Trail
 Flood Plain

INTRODUCTION

Over the course of three years, City staff, industry experts, and concerned citizens have worked diligently to draft this plan on behalf of the people of McKinney—a task that commanded an exceptional commitment from all involved. Community input and the future of the City’s main east-west thoroughfare, U.S. 380, played exceptionally important roles in the process. The result is the City of McKinney’s first major comprehensive plan update since 2004, when a similar document was last drafted to guide its future development. The following sub-sections detail many of the events and milestones that punctuated key moments in the planning process. Most of the work, however, was conducted outside of these meetings as planning team members worked diligently and meticulously to constantly incorporate feedback and craft a plan based on the desires, needs, and hopes of community members for their city.



THE PLAYERS

COMMUNITY STAKEHOLDERS

Community stakeholders are the residents, visitors, employees, neighborhoods, community groups, businesses, and developers who invest their time, money and interest in the City of McKinney. These stakeholders are the creators of the vision for McKinney.

ADVISORY COMMITTEE

The Comprehensive Plan Advisory Committee (CPAC) was a group of community leaders and engaged citizens appointed by the City Council to serve as a guiding voice for the development of the plan. The planning team met with members of CPAC multiple times and regularly updated committee members on the planning process as it unfolded. These meetings acted as venues for the collection of miscellaneous feedback on the progress of the plan and its elements as they were developed by either the planning team or members of the community.

COUNCIL, P&Z, AND CITY STAFF

City Council, the Planning and Zoning (P&Z) Commission, and City staff were all intimately involved in the creation of this plan, helping to guide it to fruition and coordinate all its moving parts. City Council and the P&Z Commission formally met over ten times during the planning process to approve pieces of the plan or receive updates as they happened. City staff also played an instrumental role behind the scenes by serving as technical advisors, event support, and providers of feedback themselves.

THE MAJOR EVENTS

STAFF WORKING SESSION (9/1/15)

In preparation of a public kick-off, the Project Team hosted a city staff working session in September 2015 to review the initial findings of the initial data gathering and general “state of the city.” The purpose of this working session was to get important feedback on some of the community assets and challenges from staff’s perspective. This initial interaction with city staff from across departments helped the Project Team better understand some of the needs and opportunities in McKinney from the organization’s perspective.

STAKEHOLDER INTERVIEWS (8/31/15 - 9/3/15)

Over two dozen individuals were interviewed as part of the ONE McKinney 2040 Initiative, convening stakeholders from around the City to discuss their diverse perspectives on the future of the community. Questions asked included “What word or phrase would you use to describe the most desirable future for McKinney by 2040?” and “How important is it that people have travel choices in addition to driving a car?” Answers were often varying, providing an impetus for the planning team to extract a consensus that would appease most community members and embody their ideal, shared future for McKinney.

COMMUNITY SUMMITS (9/16/15 - 9/17/15)

Two Community Summits were held in mid-September of 2015 as public brainstorming sessions, gathering ideas about transportation corridors, resiliency, quality of life, fiscal stability, and key words or phrases to generally describe the City’s future. Planning team members prepared presentations to give an overview of the basics of a comprehensive plan and things to come in the process. Copious feedback showed an outstanding level of community investment and interest in the plan.

COMMUNITY CHARRETTE (10/24/15)

A Community Charrette in late 2015 provided a structured venue for the funneling of public input into the comprehensive planning process, with opportunities for creative feedback such as writing and drawing. Tables were set up across the Collin College Higher Education Center, forming groups of participants who worked together to craft maps, answer questions, and discuss issues of importance to the community together. Groups then reported the results of their discussions to one another with appointed speakers and presenters to give an overview of the team consensus and provide context.

DFW TOUR (1.8.16)

In January 2016, the City Council and CPAC were able to visit a number of areas within the DFW area to help frame the planning process within the larger, metropolitan context. Attendees visited peer cities and sites such as Addison Circle, Lakeside DFW in Flower Mound, the Venue at Hometown in North Richland Hills, and Vitruvian Park in Addison.

COMMUNITY WORKSHOP (1/21/16)

Roughly 95 participants attended the Community Workshop in early 2016 to evaluate the merits of three alternative growth scenarios. These participants were then divided into 14 teams who made their way through the event workbook to collaboratively discuss scenario performance, responses to community issues, support for ideas proposed by community members, and important features for a preferred land use scenario. A reporter was then elected by team members to be the spokesperson for their group, presenting their findings to the entire room. The planning team took the results of these group sessions and used them to weigh the pros and cons of each particular growth scenario.

COMMUNITY OPEN HOUSES PART 1 (5/18/16 AND 5/19/16)

The Community Open Houses provided an opportunity to see the vision for the future of specific areas across McKinney. Approximately 100 participants attended over both nights and were able to discuss key components of the ONE McKinney 2040 Comprehensive Plan. There was an area dedicated to citywide topics such as foundational policy direction and mobility. Members of the project team were available to answer questions and collect feedback.

TxDOT FEASIBILITY STUDIES (2015-2018)

The Texas Department of Transportation (TxDOT) conducted two feasibility studies as part of its analysis of potential new alignments for U.S. 380 through Collin County. The first of these studies took place between 2015 and 2016, ultimately recommending that freeway improvements be considered for the existing alignment. The ongoing second study began in 2017, prompting a pause in the development of the ONE McKinney 2040 Plan as the planning team weighed the potential impacts of a new alignment on land use and the City’s transportation system. Planning resumed in 2018 after TxDOT released a series of draft alignments for public consideration and comment. TxDOT held three public meetings in McKinney, Princeton, and Prosper during the spring of 2018, offering residents an opportunity to provide input on alignment options and corridor improvements.

COMMUNITY OPEN HOUSES PART 2 (6/14/18 AND 8/9/18)

The comprehensive planning process resumed its momentum in mid-2018, continuing to plan for the future while keeping an eye out for new developments from TxDOT or elsewhere. The first of two Open Houses on June 14, 2018 served as a catch-up event for community members and those interested in guiding the plan around the proposed alternative alignments for U.S. 380. About 50 attendees interacted with exhibits on the preferred scenario, market conditions, and transportation infrastructure in McKinney. The final Open House was held August 9, 2018. This event, which took place at the McKinney Performing Arts Center, gave citizens one last update before the document moved to the end of the planning process and entered the finalization, adoption, and implementation stages.

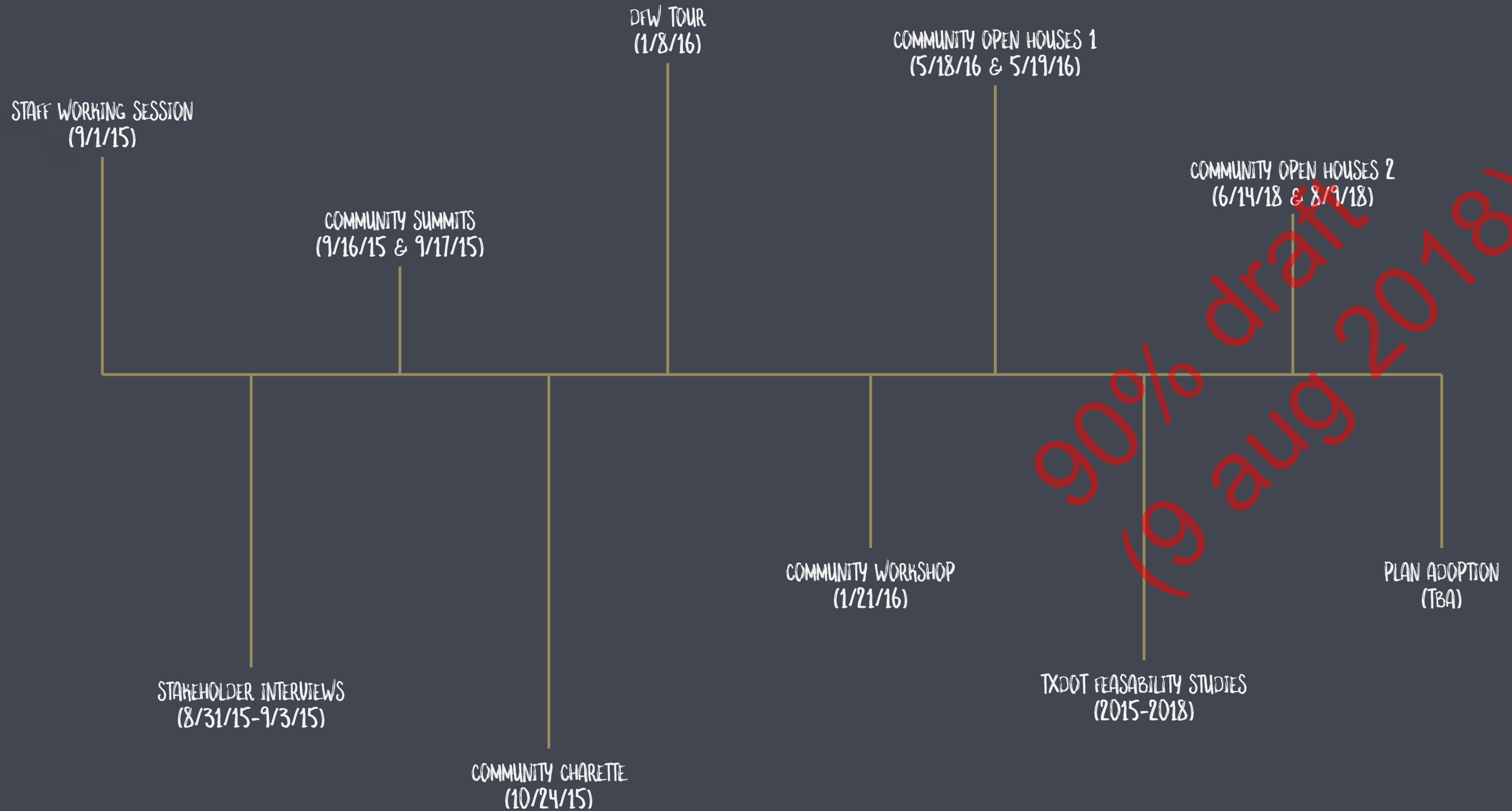
OTHER ENGAGEMENT ACTIVITIES

Although there were a number of outreach events held specifically for the ONE McKinney 2040 Comprehensive Plan Initiative, the planning team also recognized the importance of engaging with the community at other events in the City. Throughout the planning process, in addition to the dedicated outreach events, members of the planning team also attended, spoke and engaged with the public at community events such as the State of the City, Oktoberfest, PRIDE neighborhood meetings, presentations to the Chamber of Commerce and Leadership McKinney groups, and presentation to other various boards and commissions meetings. Even in these settings, the planning team encouraged interactive discussions by using visual preference surveys, keypad polling, and comment boards.

PLAN ADOPTION (TBD)

On _____, the ONE McKinney 2040 Plan was officially adopted by City Council, solidifying years of work and community support to guide growth in the coming decades. The second, critical piece to the planning puzzle, implementation, will be the key focus for City staff over the next few years, organizing policies, programs, and people to inch closer towards the ambitious objectives laid out in this plan.

PROJECT TIMELINE



MARKET SUPPORT

PSYCHOGRAPHICS

Psychographics is a term used to describe the characteristics of people and neighborhoods which, instead of being purely demographic (age, race, income, etc), speak more to attitudes, interests, opinions, and lifestyles. Tapestry is a leading system for categorizing day- and night-time populations into one of 67 distinct lifestyle segments based on these factors. Many commercial retail developers rely on psychographics to measure a market's depth for certain consumer preferences and its propensity to spend across specific set of retail categories. Similarly, a growing number of residential developers are interested in an area's psychographic profile because it can serve to eliminate some of the uncertainty associated with delivering unproven product types to a market.

Tapestry organizes the segments into "LifeMode" groups, which represent markets that share common experiences or significant demographic traits, and "Urbanization" groups, markets that share a common locale.

McKinney's psychographic profile is dominated by upper class lifestyle segments, indicating high incomes, high disposable retail spending and a predominant desire for suburban living. While the City's top segments (e.g., Boomburbs, Up and Coming Families, Soccer Moms, Professional Pride) reinforce the affluent, family-oriented lifestyle that has characterized McKinney throughout its history, the highest-growth segments over the past few years have been those which bring more social and economic diversity to McKinney's profile. These high-growth segments include:

- Barrios Urbanos** – family-centric, predominately Hispanic, multigenerational, primarily blue collar employment
- Enterprising Professionals** -- well-educated, mobile, ethnically diverse, higher-density housing
- Retirement Communities** – many live alone, over half are renters, primarily middle-income, higher-density housing

Given its lifestyle segment characteristics, and the fact that the it is surrounded by attractive exurban neighborhoods, where single family housing dominates development growth, McKinney is poised to compete for residential diversity – providing housing products with high demand that are not being provided in the market (e.g., smaller lot single family, paired homes, townhomes, rowhouses, patio homes, condominiums, lofts, apartments, etc.).

Table 1. City of McKinney Psychographic Overview

Tapestry Segment	2018 Households	% of Total Households	U.S. Index=100*
Boomburbs	23,513	37.9%	2,247
Up and Coming Families	13,438	21.6%	892
Soccer Moms	5,479	8.8%	304
Professional Pride	3,969	6.4%	395
Middleburg	2,216	3.6%	124
Bright Young Professionals	2,198	3.5%	158
Enterprising Professionals	2,127	3.4%	240
Barrios Urbanos	1,629	2.6%	252
Retirement Communities	1,170	1.9%	156
Fresh Ambitions	1,020	1.6%	258
Total Above Segments	56,759	91.4%	--
Total Trade Area	62,076	100.0%	--

LifeMode Group	2018 Households	% of Total Households	U.S. Index=100*
Affluent Estates	28,379	45.7%	461
Ethnic Enclaves	15,825	25.5%	360
Family Landscapes	7,695	12.4%	166
Middle Ground	2,691	4.3%	40
Upscale Avenues	2,127	3.4%	61
Total Above Groups	56,717	91.4%	--
Total Trade Area	62,076	100.0%	--

Urbanization Group	2018 Households	% of Total Households	U.S. Index=100*
Suburban Periphery	49,709	80.1%	252
Urban Periphery	5,378	8.7%	52
Semirural	2,980	4.8%	51
Metro Cities	2,967	4.8%	26
Principal Urban Center	1,020	1.6%	23
Total Above Groups	62,054	100.0%	--
Total Trade Area	62,076	100.0%	--

* Indicates concentration of this segment relative to U.S. average. A segment index of 200 would mean that this group contains 2 times the concentration of households compared to the average U.S. neighborhood.

Source: ESRI and Ricker | Cunningham.

Detailed descriptions of the most prevalent lifestyle groups (psychographic segments) in the City are presented in the Appendix.

INDUSTRY TRENDS

Understanding current and anticipated trends in real estate development and the conditions that drive them, are essential for any long-term civic planning initiative. With this information, communities like McKinney will be better able to plan for appropriate levels of capital investment, and work more effectively with their "delivery system" to ensure product types mirror the preferences of local consumers.

To this end, several imminent and ongoing trends that will impact development and influence its character are presented in the narrative below. Each one should be considered in the context of later discussions regarding place types and centers of investment activity. Ultimately, this plan and the initiatives identified to advance its objectives is intended to provide a path toward a community that is uniquely McKinney, reflecting its past and supporting its future.

LEADING TRENDS

The real estate industry, like the energy, finance and technology industries, is often characterized as a series of cycles, each one driven by a variety of "moving parts" such as: availability of capital for investment, supply conditions, demographic and social preferences, local policies and regulations, and capacity of individual markets to accommodate development. Its complexity, and their inability to control impactful outside forces, has historically led many in the industry to take a more commodity-driven approach to investment and development. In other words, they have relied too heavily on internal drivers they could influence, rather than spending equal time considering the preferences of their consumers, much less the sustainability of their products. Post Great Recession, some have begun to adopt an increasingly "outward looking" approach, with greater attention and more deliberate efforts to deliver uses in formats that more closely reflect what employees, residents, and consumers desire from the environments where they work, live and shop.

INVESTOR DISCIPLINE

Unlike the behavior that followed nearly every other boom – bust episode of the last several decades, real estate investors today are taking a more "defensive posture" that has translated into somewhat "greater discipline" in investment and development. Previously, these individuals and groups have exhibited what is known as a "late-cycle optimism" that resulted in over-leveraged portfolios and over-developed markets.

Additional caution is being driven by concern regarding national public policies that have led to greater divisions between income groups and how they might affect local markets. As reported in the ULI report, "The long-term strength of the U.S. economy has historically been a reflection of the stability and growth among individuals and families in middle income categories." Upward mobility in both the blue-collar and white-collar sectors traditionally fueled housing demand, consumer spending, and office sector growth. Growing income-inequality, wage stagnation, and regional economic disparities are trends being monitored as possible "threats" to demand.

EMPLOYMENT SPACE AND PRODUCTIVITY

Nearly every major real estate category experienced significant changes in its product inventories following the Great Recession, with the most noteworthy realized by the commercial office and retail industries. Circumstances that prompted these changes have largely been attributed to demographic shifts, evolving consumer expectations, the "re-urbanization" of America, and growth in technological infrastructure; rather than portfolio performance, lending practices, and monetary policies. For instance, in 1980 office buildings were built to provide 250 square feet of space per employee. In 2017, several new office developments were constructed to provide 100 square feet per employee, and with significantly more space for collaboration. This change is largely seen as an outgrowth of pressure from non-Baby Boomer generations for flexible work schedules which allow employees to divide their time between home and work. In reality, it was also a function of more energy efficient construction practices and willingness of multiple companies to share space.

Consumer preferences are also impacting retail space design, which is becoming more urbanized, regardless of whether it is located in an urban or suburban environment. Smaller retail spaces are being made possible by stronger connections to industrial facilities that are now housing inventories previously found in stores, as well as distribution centers that are making “just-in-time” deliveries of commercial products possible.

At a macro level, and with several years of production behind them, developers and employers are now evaluating the impact of these format changes on employee productivity and output levels. They are finding that in goods-producing sectors such as construction and manufacturing are benefiting less from evolutions in work space design, than those in service sectors are benefitting from technological advances. With a nearly diminished void in the employee-work connection, the traditional “work day” has all but been eliminated and totaled hours worked has increased. Buildings that foster “wellness” (i.e., onsite fitness facilities, fresh air circulation, and healthy food offerings) are also producing higher productivity and satisfaction levels among employees which is translating into higher levels of output.

GENERATIONAL PRIORITIES

Much has been written about the working and living priorities of Millennials, among the most noteworthy being the fact that 67% percent of Millennials believe they will be in a new job in a new city within five years of starting their current one. This reality, for many in other generational groups, is seen as a lack of commitment and consistency, and a loss of investment in human capital. Perhaps in conflict with this perception is the fact that Millennials are credited with making today’s society more mindful of the environment and value of community assets such as historic structures, community gathering places, and natural and man-made open spaces.

The next generation, referred to as Generation Z, is considered somewhat similar to Millennials with regard to social sensitivity, mobility, and technological connectedness; but differ in key ways that could reveal itself in yet another shift in real estate product types. Gen Z’s, having observed the impact economic conditions have had on Millennials’ ability to live independently of their parents; acquire, much less pay-off student loans; or find fulfillment in their careers, appears to be manifesting in a cohort that seeks order, structure and predictability. Considered in concert with their obvious technical prowess, this group could either tamp down current forces that are shaping these spaces, or drive adaptations in a new direction. In terms of their influence on retail development, most industry experts intend to deliver “more of the same,” with an emphasis on experience and social interaction. Forward thinking municipalities, and representatives of their development delivery systems, would be well-advised to find ways to create environments that leverage this understanding, while continuing to pursue greater sustainability, and preservation of their historic and valued assets.

BOOMERS’ NEW REALITY

By 2030, 75.5 million Americans will be over the age of 65. While much has been written about their impact on the labor force, health care, and retirement benefits, little has been discussed about their impact on real estate. At one time, because Baby Boomers possessed the majority of the country’s disposable income, they were thought to be well on their way to retiring by the age of 55. This presumption was disproven during the latter part of the last decade when lending and banking practices devastated the earnings and savings of individuals in this group and others; and their ongoing presence in the workplace may have caused some property owners to delay adapting their properties for the emerging workforce. The “hangover affect” of the Great Recession will likely continue to affect retirement rates among the youngest Boomers who are approaching 60; but so too will advances in technology that make it possible to work remotely, while staying connected.

Financial realities which have caused Boomers to adjust their retirement plans, are not only evident in the evolution of non-residential property types over the last decade, but residential property types, as well. Their desire to live in smaller, more maintenance-free communities, is as much a function of the fact that with more hours spent at work, Boomers have less time for leisure, as the need to rebuild their retirement resources. While this group alone may not have been sufficient for developers to risk adapting existing spaces, older individuals in combination with Gen Xers and some Millennials who desired similar spaces, yet for different reasons, made town center, lifestyle center and mixed-use development a more feasible alternative to traditional housing types.

Whereas the pace with which smaller products and maintenance-free communities have been delivered is different in every market; what remains an ongoing challenge in nearly every market is the ability of homeowners to sell over-sized and over-priced homes in suburban locations. A residential broker interviewed for the Emerging Trends publication was reported as saying, “Boomers bought and now price their homes based on size. Gen Xers and Millennials, buy based on the qualities of the house.” Understanding these preferences is critical for communities to understand, so as to avoid over-building of obsolete product types.

SECONDARY MARKETS

The cyclical nature of real estate is both a curse and a blessing. The curse, which often results in overbuilding, is often realized first, by lenders, then developers, and then consumers. The blessing, which is perspective, while realized second, often occurs to representatives of the delivery system in a similar order. Following the Great Recession, Real Capital Analytics CPPI, a national analytics group that predicts real estate activity, reported that activity and the value of assets in primary markets started returning to pre-Recession levels in early 2014. Comparatively, using these same matrices, secondary markets like Tulsa, San Antonio, and Salt Lake City, did not realize their recovery until early 2016. Additionally, while activity in primary markets has accelerated, albeit at rates more modest than in previous decades, activity in secondary markets has remained steady.

With a relatively shared belief that there are no obvious “crises” on the horizon, many in real estate are looking to secondary markets for long-term investment opportunities. According to ULI, values in secondary markets are expected to increase by nearly 12 percent over the near-term, primarily because of their expected stability, while values in primary markets are expected decline by 6 percent (on average) as a circumstance of heightened activity and greater competition.

While McKinney is obviously a component of the larger Dallas-Fort Worth metro area, given its location on the fringe and proximity to smaller markets beyond, it has the potential to position and market itself as a secondary market within a primary market.

COST MATRICES OF HOMEBUILDING

Productivity levels among employees, as measured by the value of goods produced per job, have declined across nearly every industry group in recent years, with the greatest declines realized by the construction industry. An analysis of U.S. worker output relative to employment growth between 2009 and 2017 showed that the construction industry generated among the lowest levels of output at 0.1%, compared to employment growth of 1.55%. Contributing factors were led by the lack of “applicable automation and stream of technology.”

Equity in homebuilding is a function of land, labor, lumber and lending. Forces which impact a somewhat fragile balance among these dynamics include outdated local policies and regulations, inexperience among developers and builders, and limited awareness about how to translate market preferences into feasible product types and formats. Inequities in construction practices are an additional factor that until recently, seemed unsolvable. The idea of off-site construction and greater use of robotics, two solutions which could lower delivery costs, goals among those in the industry for many decades that are just now being realized. These, and other positive influences including: a greater acceptance of manufactured (or pre-fab) home construction units, the use of tablets to immediately communicate changes in construction documents, and better monitoring of on-site progress by drones, are generating savings that could either result in greater housing affordability, or new and different formats more in-line with growing lifestyle preferences. While advances will help with some aspects of the cost of homebuilding; they will not necessarily affect the cost of “dirt,” or the ability to assemble significant acreages. While both are essential components to “narrowing the delta” between the cost of delivery, and the buyer’s ability to pay; communities should reconsider their role in ensuring a healthy residential market, in ways similar to those practiced when fostering healthy non-residential markets.

CHANGING FACE OF RETAIL

As one expert put it, “Retail is in the midst of an identity crisis.” Among the mixed-messages contributing to angst in the industry are forecasts in annual retail sales of 4.0 to 4.5 percent, yet limited new construction. Another is increasing obsolescence among existing formats, yet a desire by the largest age cohorts for “main-street” shopping experiences. Industry representatives are reportedly reconsidering both their on-line, and on-street presence. They are working to understand how technology and intimacy can co-exist, and what should become of existing inventories that support neither. Whereas their planning will eventually evolve into product development, forward thinking communities that value a retail presence, will create or encourage environments that support an industry that will never cease to change.

MARKET SUPPLY & DEMAND

The market supply and demand portion of the planning process, summarized here, focused on identifying and quantifying market opportunities within the City of McKinney (the City) and larger representative trade areas, for a range of real estate products. The purpose of the market analysis in the context of a community planning effort such as this is fourfold:

- To provide a “reality check” for the conceptual planning effort;
- To ensure that recommendations are grounded in market and economic reality;
- To set the stage for implementation; and
- To provide an accurate and independent “story” to tell potential development and investor audiences, the entities that will ultimately implement the community’s vision.

The analysis showed that there is both short-term and long-term market demand in the surrounding trade area(s), and that with strategic public and private investment and supportive policies, the City could be successfully positioned to capitalize on select niche and destination opportunities.

TRADE AREA DEFINITION

The City has the potential to support the development of a variety of product types, so broad trade areas were defined for each of the major land use types (residential, retail, office, and industrial). A trade area is the geography from which projects in a certain location will draw and compete for the majority of their residents, customers, or tenants. Several factors are used to define the boundaries of a trade area, some unique to the specific use or product type, and others more universally applicable. The most common are:

- Physical Barriers – presence of certain physical improvements including highways, arterials, and significant structures, all of which influence driving and shopping patterns; also the availability, condition, and capacity of infrastructure;
- Location of Possible Competition – inventory of potentially competitive projects which can diminish a venture’s potential market share, and be an indicator of market acceptance;
- Proximity to Population, Employment and/or Activity Centers – concentrations of neighborhoods, employment centers, service providers, and commercial entertainment venues which attract target markets that will support development and redevelopment;
- Zoning – regulatory designations which will influence investment decisions;
- Market Factors – conditions which will set sale and lease prices, influence capital flows, suggest excesses and voids, and ultimately impact potential project values; and
- Drive Times, Spending and Commuting Patterns – consumer habits and biases which can inform the project’s potential for success.

Based on consideration of these factors, McKinney’s trade areas were determined to include most of Collin County and portions of Hunt County. These trade areas encompass all or a portion of the North DFW suburbs of Frisco, Plano, Allen, McKinney, Fairview, Melissa, Anna, Prosper, and Wylie.

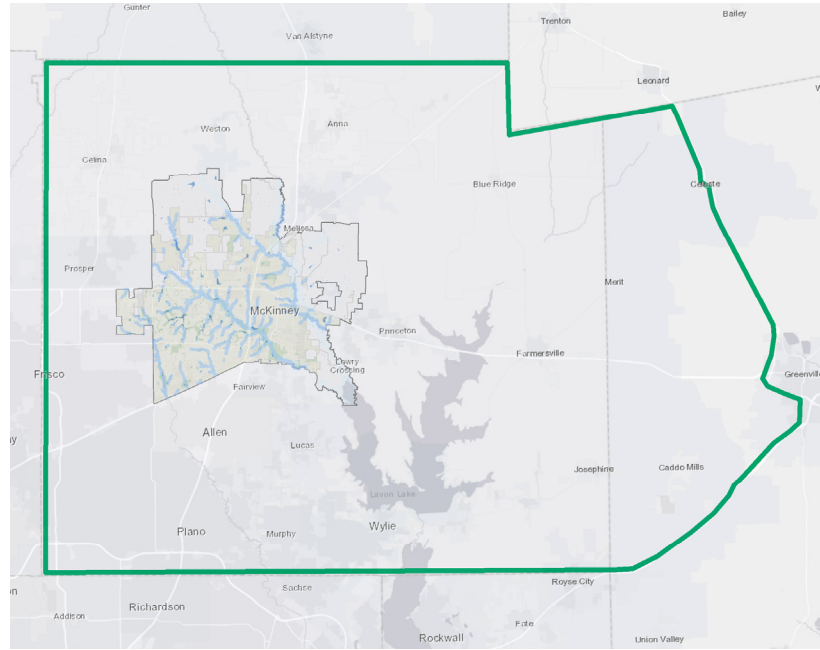
An analysis of the current performance of real estate products within an overall market, as well as competitive projects within a trade area, provides an indication of whether a property or area may be ready for new development and/or redevelopment. It also helps to identify potential gaps in the market—niches that new development and/or redevelopment could fill. In order to identify potential future market opportunities given the City’s competitive position and prevailing market conditions, market demand estimates were prepared for residential, retail, office, and industrial land uses over the next 22 years (2018 to 2040). The information that follows presents a summary of demand conditions for competitive land uses within McKinney’s respective trade areas.



RESIDENTIAL DEMAND

McKinney's residential trade area was determined to include all of Collin County, extending into Western Hunt County (see Figure 1).

Figure 1. McKinney Residential Trade Area



Demand for residential units in McKinney is a function of projected household growth across the McKinney Trade Area. In other words, McKinney will compete with other locations in the Trade Area as a potential home for newly formed households, whether they arise through natural increase or net in-migration.

The 2018 base of 324,400 trade area households is expected to grow at approximately 2.3 percent annually to 539,600 households by 2040—an addition of 215,200 units. Applying a 1 percent factor to account for a vacancy/turnover buffer, demolition, and a modest amount of second-home purchase activity, results in an adjusted 22-year demand for approximately 216,300 units for the Trade Area. Based on current and anticipated home ownership and rental rates, there should be demand for approximately 60,200 additional rental units and 156,100 additional ownership housing units by 2040 in the McKinney Trade Area.

This total demand for units is further allocated into approximate income-qualified rent and home price groups. The analysis assumes a moderate increase in household incomes over time (using constant 2018 dollars). In other words, new households are expected to be somewhat more affluent than existing households. Table 1 summarizes these demand estimates.

Table 1. Residential Demand for New Units. McKinney Trade Area

Residential Demand Analysis		Households	2018	324,400				
McKinney Trade Area			2028	408,823	Annual Growth Rate	2.34%		
22-yr Demand Estimates			2040	539,610				
				215,210	Adjust for 2nd homes, demolition, vacancy	0.5%		
					% Rental	28%		
				216,286				
Trade Area Demand from New Households (22-yr)								
Annual Household Income Range (2018 dollars)	Approximate Rent Range	Supportable Home Price Range	Current Households in Income Bracket	New Households by Income Bracket	Total Units	Estimated % Rental	Total Rental Units	Total Ownership Units
up to \$15K	up to \$375	up to \$75K	6%	6%	12,977	90%	11,679	1,298
\$15-25K	\$375 - \$625	\$75 to \$100K	5%	5%	10,814	90%	9,733	1,081
\$25-35K	\$625 - \$875	\$100 to \$150K	7%	6%	12,977	80%	10,382	2,595
\$35-50K	\$875 - \$1,000	\$150 to \$200K	11%	10%	21,629	60%	12,977	8,651
\$50-75K	\$1,000+	\$200 to \$250K	16%	15%	32,443	15%	4,866	27,576
\$75-100K	\$1,000+	\$250 to \$350K	13%	13%	28,117	12%	3,374	24,743
\$100-150K	\$1,000+	\$350 to \$500K	21%	21%	45,420	10%	4,542	40,878
\$150K and up	\$1,000+	\$500K and up	21%	24%	51,909	5%	2,595	49,313
Totals			100%	100%	216,286	28%	60,149	156,137

Source: NCTCOG; U.S. Census; ESRI; and Ricker|Cunningham.

Table 2 shows reasonable attainable demand for single-family detached units in the trade area for households earning at least \$15,000 per year. This analysis assumes that detached single-family homes will account for approximately 75 percent of all ownership demand, with the balance coming in the form of attached products (condominium, townhome, rowhome, loft, duplex, triplex, quadraplex, etc.); therefore, over the next 22 years, the Trade Area could support approximately 13,000 new single-family detached units.

Table 2. Single-Family Detached Demand. McKinney Trade Area

Annual Household Income Range	Approximate Home Price Range	Trade Area For-Sale Demand (Incomes \$15K+)	Estimated % Single Family Detached	Single Family Detached Demand
\$15-25K	\$75 to \$100K	1,081	75%	811
\$25-35K	\$100 to \$150K	2,595	75%	1,947
\$35-50K	\$150 to \$200K	8,651	75%	6,489
\$50-75K	\$200 to \$250K	27,576	75%	20,682
\$75-100K	\$250 to \$350K	24,743	75%	18,557
\$100-150K	\$350 to \$500K	40,878	75%	30,659
\$150K and up	\$500K and up	49,313	75%	36,985
Totals		154,839	75%	116,129

Source: NCTCOG; U.S. Census; ESRI; and Ricker|Cunningham.

Generally speaking, infill neighborhood areas are more suitable for attached ownership housing, particularly near a downtown or central business district. Neighborhoods in and around Downtown McKinney, which include significant areas of detached residential development and vacant or underutilized land, would be potential candidates for this type of infill housing. Over the next 22 years, the Trade Area could support approximately 38,700 new single-family attached units.

Table 3. Single-Family Attached Demand. McKinney Trade Area

Annual Household Income Range	Approximate Home Price Range	Trade Area For-Sale Demand (Incomes \$15K+)	Estimated % Single Family Attached	Single Family Attached Demand
\$15-25K	\$75 to \$100K	1,081	25%	270
\$25-35K	\$100 to \$150K	2,595	25%	649
\$35-50K	\$150 to \$200K	8,651	25%	2,163
\$50-75K	\$200 to \$250K	27,576	25%	6,894
\$75-100K	\$250 to \$350K	24,743	25%	6,186
\$100-150K	\$350 to \$500K	40,878	25%	10,220
\$150K and up	\$500K and up	49,313	25%	12,328
Totals		154,839	25%	38,710

Note: Assumes Townhome/Condo development stabilizes at 25% of all ownership demand

Source: NCTCOG; U.S. Census; ESRI; and Ricker|Cunningham.

Table 4 shows projected rental apartment demand for the trade area of 48,500 new units by 2040 (for households earning over \$15,000).

Table 4. Rental Apartment Demand. McKinney Trade Area

Annual Household Income Range	Approximate Rent Range	Trade Area Rental Demand (Incomes \$15K+)
\$15-25K	\$375 - \$625	9,733
\$25-35K	\$625 - \$875	10,382
\$35-50K	\$875 - \$1,000	12,977
\$50-75K	\$1,000+	4,866
\$75-100K	\$1,000+	3,374
\$100-150K	\$1,000+	4,542
\$150K and up	\$1,000+	2,595
Totals		48,470

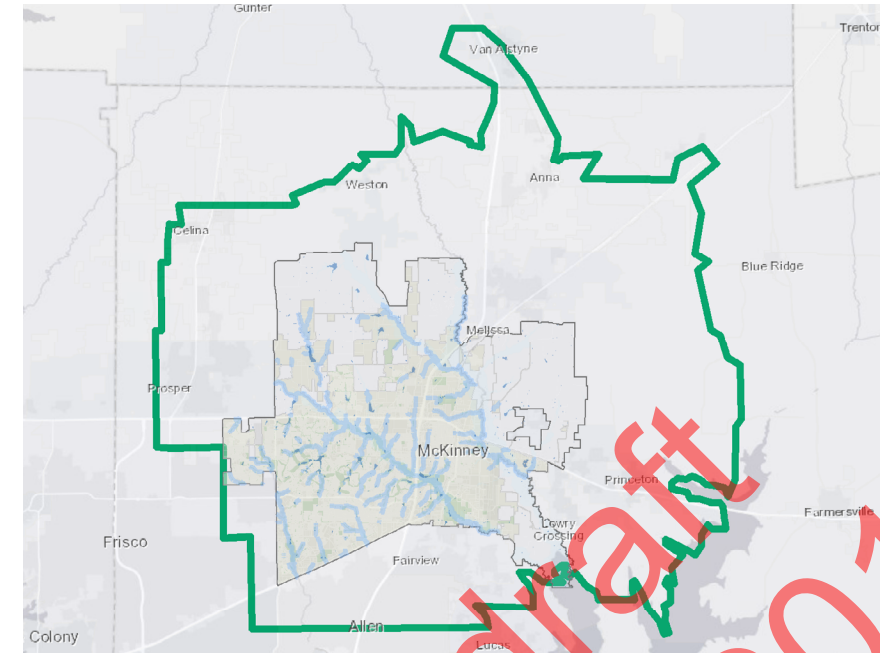
Source: NCTCOG; U.S. Census; ESRI; and Ricker|Cunningham.

As with attached ownership housing, new apartments could be created by redesigning existing commercial space, built on smaller scattered-site underutilized lots, or developed on larger underutilized tracts as part of a residential mix.

RETAIL DEMAND

McKinney's retail trade area was determined to include most of Collin County and extending into Grayson County (see Figure 2).

Figure 2. McKinney Retail Trade Area



Future demand for retail space (including restaurant, entertainment, service, etc.) is determined by the potential level of retail expenditures in a given trade area from two sources: those dollars spent by trade area residents outside the trade area (leakage) and those generated by new household growth. Table 5 summarizes the calculations of both of these sources of retail demand. For each major category, current household retail expenditures (demand) are compared to current retail sales (supply) in the McKinney Retail Trade Area to determine if there is a retail surplus (supply exceeds demand) or leakage (demand exceeds supply). Table 5 shows that leakage exists in all of the major retail categories.

Projected demand from new household formation over the next 22 years is determined by multiplying growth in households with that portion of household income typically spent on general retail and service purchases. Table 5 also shows the level of demand by retail category that will be generated by new household formation.

As shown, there is considerable leakage in the Trade Area for all retail categories. The level of leakage estimated in current retail categories is approximately \$2.6 billion in retail spending, which could potentially support an additional 6.7 million square feet of space. This indicates a substantial void or gap in the current market for all retail store types. An additional \$2.7 billion in retail spending is anticipated from new household growth. Together, current leakage and future household spending could potentially support a total of 13.3 million square feet of new retail space over the next 22 years.

Table 5. Retail Demand. McKinney Trade Area

Retail Category	Estimated 2018 Household Retail Demand	Estimated 2018 Retail Sales (Supply)	Estimated 2018 Retail Void (Leakage)	Estimated Retail Sales/af	Needed to Capture Void/Leakage	Household Growth Rate (2018-2040)	Net New Household Retail Demand	Needed for Household Growth	New Trade Area Retail Demand (a.f.)
Furniture & Home Furnishings	\$144,923,751	\$80,514,255	\$64,407,495	\$300	214,658	2.34%	\$96,142,411	520,475	601,835
Electronics & Appliance	\$125,859,571	\$7,257,853	\$96,601,718	\$325	297,236	2.34%	\$82,359,471	252,891	550,127
Build Materials, Garden Equipment	\$685,755,046	\$171,812,840	\$497,232,406	\$400	1,243,091	2.34%	\$443,645,801	1,109,109	2,352,200
Food & Beverage (Grocery)	\$707,482,835	\$237,726,308	\$469,756,525	\$475	988,961	2.34%	\$469,550,430	988,106	1,977,067
Health & Personal Care	\$515,755,760	\$110,787,045	\$204,946,715	\$425	482,225	2.34%	\$209,460,656	492,649	975,076
Clothing and Accessories	\$338,420,091	\$48,866,297	\$289,553,794	\$325	891,550	2.34%	\$224,510,975	690,605	1,682,355
Sporting Goods, Hobby, Book, Music	\$124,044,167	\$35,176,940	\$88,867,227	\$325	304,207	2.34%	\$88,926,122	275,619	577,826
General Merchandise	\$747,770,962	\$288,298,413	\$459,472,549	\$400	1,148,681	2.34%	\$496,078,075	1,240,185	2,156,877
Miscellaneous Stores	\$166,212,449	\$4,839,865	\$161,372,584	\$300	537,909	2.34%	\$110,366,854	367,556	805,465
Foodservice & Drinking Places	\$679,265,714	\$284,407,840	\$394,857,874	\$475	831,276	2.34%	\$450,629,742	946,694	1,779,970
Total	\$4,026,472,144	\$1,399,217,447	\$2,627,254,696		6,656,456		\$2,671,298,337	6,684,237	13,340,733

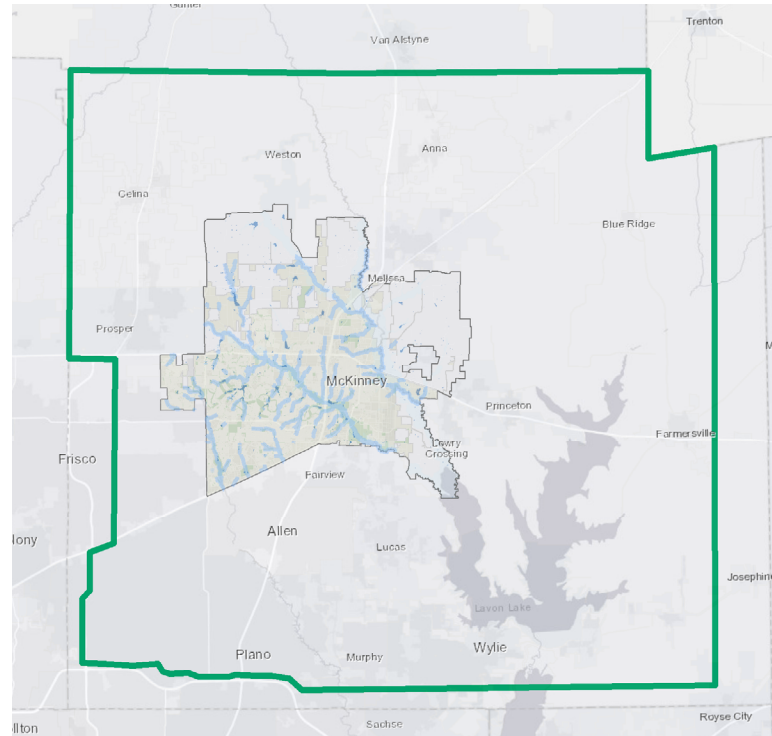
Source: ESRI; Urban Land Institute; and Ricker|Cunningham.



OFFICE DEMAND

McKinney's office trade area was determined to include most of Collin County and extending into Grayson County (see Figure 3).

Figure 3. McKinney Office Trade Area



Demand for new office space is derived from two primary sources: expansion of existing industry and the relocation of new companies into the market. Employment projections by industry classification for the McKinney Trade Area were used to estimate demand over the next 22 years. As shown in Table 6, applying current growth rate estimates by industry category nets an overall 2.4% sustained annual employment growth rate, resulting in demand for approximately 121,400 new office employees over the next 22 years. Assuming differing levels of office space needed across various industry categories, the analysis revealed demand for over 21.8 million square feet of new office space over this period.

Table 6. Office Demand. McKinney Trade Area

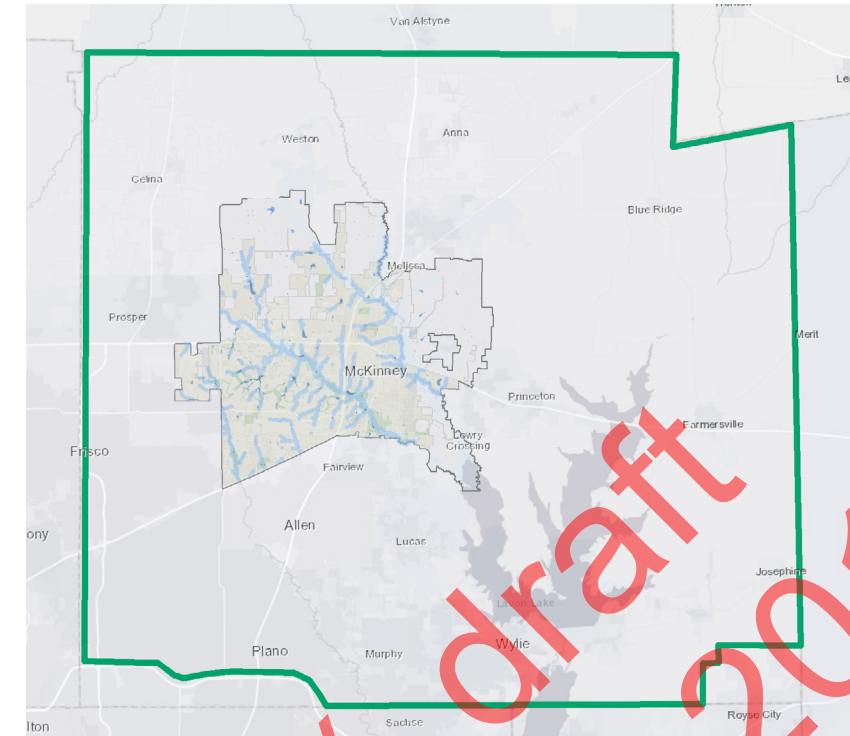
Industry Category	Estimated 2018 Employees	Estimated Growth Rate 2018-2040	Estimated 2040 Employees	Estimated New Employees	Estimated % in Office Space	Estimated Net New Office Employees	Sq Ft per Office Employee	Estimated 22-yr Office Demand
Natural Resources, Mining and Construction	24,200	2.8%	44,429	20,229	40%	8,091	180	1,456,468
Manufacturing	25,600	1.1%	32,566	6,966	5%	348	180	62,695
Trade, Transportation and Utilities	75,100	2.1%	118,633	43,533	10%	4,353	180	783,598
Information	16,200	2.1%	25,591	9,391	80%	7,513	180	1,352,254
Financial Activities	44,900	2.5%	77,299	32,399	90%	29,159	180	5,248,566
Professional and Business Services	80,900	2.6%	142,295	61,395	80%	49,116	180	8,840,919
Educational and Health Services	91,500	2.6%	160,940	69,440	20%	13,888	180	2,499,827
Leisure and Hospitality	50,600	2.4%	85,261	34,661	10%	3,466	180	623,895
Other Services (includes Self-Employed)	20,600	2.3%	33,973	13,373	30%	4,012	180	722,130
Government	8,500	2.1%	13,427	4,927	30%	1,478	180	266,068
Totals	438,100	2.4%	734,413	296,313	41%	121,425	180	21,856,420

Source: NCTCOG; U.S. Census; Bureau of Labor Statistics; and Ricker|Cunningham.

INDUSTRIAL DEMAND

McKinney's industrial trade area was determined to include most of Collin County and extending into Grayson County (see Figure 4).

Figure 4. McKinney Industrial Trade Area



Demand for new industrial space is derived from two primary sources: expansion of existing industry and the relocation of new companies into the market. Employment projections by industry classification for the McKinney Trade Area were used to estimate demand over the next 22 years. As shown in Table 7, applying current growth rate estimates by industry category nets an overall 2.4% sustained annual employment growth rate, resulting in demand for approximately 72,300 new industrial employees over the next 22 years. Assuming differing levels of industrial space needed across various industry categories, the analysis revealed demand for over 35.1 million square feet of new industrial space over this period.

Table 7. Industrial Demand. McKinney Trade Area

Industry Category	Estimated 2018 Employees	Estimated Growth Rate 2018-2040	Estimated 2040 Employees	Estimated New Employees	Estimated % in Industrial Space	Estimated Net New Industrial Employees	Sq Ft per Industrial Employee	Estimated 22-yr Industrial Demand
Natural Resources, Mining and Construction	24,200	2.8%	44,429	20,229	20%	4,046	600	2,427,447
Manufacturing	25,600	1.1%	32,566	6,966	80%	5,573	400	2,229,143
Trade, Transportation and Utilities	75,100	2.1%	118,633	43,533	60%	26,120	600	15,671,954
Information	16,200	2.1%	25,591	9,391	20%	1,878	400	751,252
Financial Activities	44,900	2.5%	77,299	32,399	15%	4,860	400	1,943,913
Professional and Business Services	80,900	2.6%	142,295	61,395	15%	9,209	400	3,683,716
Educational and Health Services	91,500	2.6%	160,940	69,440	20%	13,888	400	5,555,171
Leisure and Hospitality	50,600	2.4%	85,261	34,661	5%	1,733	400	693,217
Other Services (includes Self-Employed)	20,600	2.3%	33,973	13,373	30%	4,012	400	1,604,734
Government	8,500	2.1%	13,427	4,927	20%	985	600	591,263
Totals	438,100	2.4%	734,413	296,313	24%	72,304	486	35,151,812

Source: NCTCOG; U.S. Census; Bureau of Labor Statistics; and Ricker|Cunningham.

McKINNEY MARKET SHARE

A number of factors influence an area’s ability to capture investment dollars. These can be categorized as top-down considerations, bottom-up considerations, external considerations, and others. Some of these the public sector (or stakeholder entities) can control, and others they cannot.

TOP DOWN CONSIDERATIONS

- Demand for certain land uses
- Demographic and psychographic conditions which support certain product types
- Untapped market niches (product voids)
- Competitive projects (proposed, planned and under construction)

BOTTOM UP CONSIDERATIONS

- Physical capacity of the community / individual parcels to accommodate market-supported product types – fewer physical constraints
- Vision and desire for certain uses and product types
- Size of parcels, parcel ownership (public and private), owner investment objectives

EXTERNAL CONSIDERATIONS

- Delivery system – who are the area’s builders / developers, what are they willing and able to offer
- Financing markets – availability of capital with reasonable funding terms for certain product types
- Market forces beyond those currently in the market (e.g., migration to Metroplex by an estimated 80,000 persons annually over the next decade who do not represent the existing profile of residents and consumers)

OTHER CONSIDERATIONS

- Available resources to position and promote investment in the community
- Public support for a long-term vision



Based on the market analysis summarized herein, the land uses in Table 8 are supportable within the larger respective trade areas and specifically in McKinney. Ideally, a mix of uses will be configured in a manner that encourages synergy and an integration of activities and product types. When effectively integrated, these multi-use developments yield higher values over a sustained period of time. Rather than addressing the needs and interests of single markets, collectively, the land uses tend to become destinations and draw on the interest of individuals beyond their respective trade areas. Beyond its land uses, successful development in McKinney will depend on a commitment to quality over quantity as reflected in a unified program of urban design elements, including signage, gathering places, and landscaped features as well as appropriate transitions between uses, access to and preservation of natural amenities, and improvements constructed at a suitable scale.

The City is well-positioned to compete for market share with attainable capture rates ranging from 20% to 50% depending on the land use/product type. McKinney’s anticipated residential market share is similar to its historical share of growth in the Trade Area, although it is expected that the City could capture a higher share of housing products that represent alternatives to single family detached units. McKinney’s position as an emerging regional center for both shopping and employment will support higher than typical market shares for retail, office and industrial space.

Actual investment levels will be dictated by numerous factors, including the physical capacity of the area to accommodate development, the desires of property owners, the community’s vision, and the City’s ability to position itself and its assets and ready the environment for investment. Table 8 summarizes potential market demand for various land uses in the City over the next 22 years.

Table 8. McKinney Market Share Summary

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.